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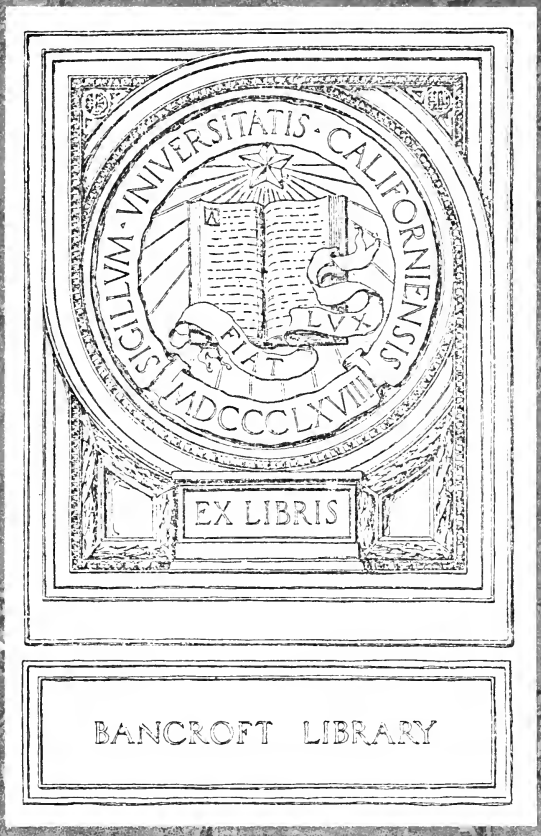

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ESSAY ON THE RECONSTRUCTION OF MEXICO

By

Manuel Calero
Francisco S. Carvajal
Juan B. Castelazo
Toribio Esquivel Obregón
Jesús Flores Magón
Tomás Macmanus
Rafael Martínez Carrillo
Miguel Ruelas
Jorge Vera Estañol

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Translated by

H. N. BRANCH

Translator of the Mexican Constitution of 1917, etc.

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FOREWORD TO THE ENGLISH EDITION

THE ESSAY here presented to the English-speaking community embodies a message from certain Mexican citizens to the Mexican people as a whole. For this reason, although originally published in the United States, it was written and printed in Spanish. Since its appearance, however, the press notices it has received have led to requests from many sources for an English version. Accordingly, the authors determined to issue the present edition.

This exposition, summary as it is, gives an idea of the problems with which the Mexican people must contend in any attempt at the rehabilitation of their country. The authors do not pretend to have embraced all of these problems, but they do sincerely believe that those discussed are the most pressing and important.

The Essay was written during the provisional government preceding that of General Obregón. Therefore, when the authors refer to the "present government of Mexico" or use a like expression, they refer to the government of provisional President de la Huerta. The problems that existed during the latter's administration are, however, the same as those with which President Obregón's government is confronted, though in many respects they now assume an even graver aspect.

The names of the collaborators are arranged alphabetically, in accordance with the rules of arrangement of names in Spanish. It is believed that a brief statement of the professions and of the more important public offices formerly held by the authors in Mexico may be of some interest to the American reader... The following enumeration covers this point:—

MANUEL CALERO. — Lawyer, Member of the Chamber of Deputies, Senator, Secretary of Justice, Secretary of Foreign Affairs, Ambassador to the United States.

FRANCISCO S. CARVAJAL. — Lawyer, Senator, Chief Justice of the Federal Supreme Court, Provisional President of the Republic.

JUAN B. CASTELAZO. — Lawyer, Governor of the State of Guanajuato, Mexican Consul General in France.

TORIBIO ESQUIVEL OBREGÓN. — Lawyer, Secretary of the Treasury.

JESÚS FLORES MAGÓN. — Lawyer, Senator, Assistant Secretary of Justice, Secretary of *Gobernación*.

TOMÁS MACMANUS. — Banker, Member of the Chamber of Deputies, Senator.

RAFAEL MARTÍNEZ CARRILLO. — Lawyer, Senator, Assistant Secretary of *Gobernación*.

MIGUEL RUELAS. — General of Brigade in the former Regular Army, Director General of Military Education, Second Assistant Secretary of War.

JORGE VERA ESTAÑOL. — Lawyer, Member of the Chamber of Deputies, Secretary of Public Instruction.

TO OUR FELLOW-CITIZENS

FOR MANY long years, through the bitterness of the partisan governments dominating Mexico, those who sign this document have been compelled to live in exile, deprived of the rights of citizenship and even of the civil rights which the laws of Mexico accord to aliens; but as no government could rob us of our love for the land that gave us birth, nor destroy in us the consciousness of our duty toward our country, we determined to unite our efforts with a view to examine the fundamental problems of the Mexican situation and to offer to our fellow-citizens the result of our study. If we can thereby contribute, in some degree, to alleviate the domestic distress of our country and to avert the international dangers which threaten her sovereignty, we shall be amply paid.

The essay on the reconstruction of Mexico now made public was drafted, in its essential points, during the last months of the Carranza administration. The recent change in the personnel of the government is no reason why we should desist from our task; rather are we of the opinion that the present moment is even more propitious to our disinterested efforts. However small our experience in public matters, the program we submit has, in the first place, the advantage of being inspired in a spirit of compromise between the teachings of pure theory on which our system of government is based, and the limitations and shortcomings of the Mexican people. We have not sought to formulate a program of Utopian recommendations, but a series of applications of scientific principles to the practical realities of Mexican life. This means that we do not interpret politics as a science discovering and formulating laws, but as the very difficult art which, with due regard for such laws, studies national forces and the method of harmonizing them, so that, instead of destroying one another in perpetual conflict, they may be combined and cooperate to the advancement of the Nation.

Nor is it a revolutionary plan that we have written, false panacea to which the disgruntled and the ambitious ever resort in Mexico. We deem our work a program of national salvation. Withdrawn as we are from active political life and without the possibility of intervening therein, and living outside the country, we address those who can translate

our ideas into deeds, if after careful study they find them satisfactory and practicable.

We are not unaware of the fact that the faith of some of our fellow-men in the capacity of the Mexicans to redeem themselves by their own efforts is beginning to fail and falter; nor are we oblivious of the existence among foreigners of the belief that, without outside aid, we cannot be saved. We still have faith in the virtues of the Mexican people, and believe that if their activities are guided along the proper path, they can, alone, set up a regime of law which shall be a sure guarantee of progress and a firm foundation upon which to reconquer the respect of the world.

Those of our fellow-citizens who are familiar with our antecedents will see how we have begun by sacrificing our former political differences to the exigency of national interests. Some of us, moved by the same lofty purpose, have also sacrificed favorite theories sustained in public office, or defended in the press and in the forum. All of these sacrifices, which possibly expose those making them to the charge of inconstancy, are imperative requirements of the purpose animating us. Today we are united, and our efforts are combined under the guidance of a superior and sacred aspiration, compelling our gaze only to the future with no time to glance backward to the dismal days of the past, unless it be to draw from them the lessons of experience, and so justify our present position.

Before submitting the various portions of the program which, in our judgment, the Mexican Government should follow in laboring for the reconstruction of Mexico, we must set down as a fundamental observation that neither the most conscientious surveys nor the wisest laws can solve our social problems, unless the work be done on the solid foundation of the integrity of those in authority. Without this, every effort would be futile.

If now we consider the method followed in our work, we must state that we regard it as essential, at the outset, in considering the reconstruction of Mexico, to fix its general lines, and the end which Mexican statesmen ought to have in view. Many disinterested and intelligent efforts have been wasted through a lack of method; and the policy of our government has been at the mercy of the capricious influence of individuals or of the exigencies of each new day.

In dealing with the problem of reconstruction, it would be a vital error to regard Mexico as an industrial country. Its present stage of

development is not the industrial stage. Nor is it our judgment that preference should be paid to the mining industry, despite the prominence that this branch of economic activity has attained in Mexico. What is of capital importance, quite fundamental in fact, — and this seems to us axiomatic, — is to guarantee an adequate and nourishing food-supply for the people. Mexico is an agricultural country, capable of great agricultural development; and yet, by a lamentable paradox, its population is inadequately fed, because the soil does not yield enough for their sustenance. This condition reveals the existence of an economic-social problem of grave character, which points the way to the principle that must be paramount in any program of reconstruction; only by frankly recognizing it, can we hope to have a national economic policy, a regime of our own, drawn from our own experience and adapted to the essential conditions of our own life.

From the strictly political point of view, we believe that a prerequisite to the carrying out of a program of national reconstruction is the restoration of the constitution of 1857. Apart from its historic value and its intrinsic merits (broad and great enought to guarantee the most progressive program), the constitution of 1857 has the supreme virtue of having been recognized by the whole people as the national constitution. Its restoration as the supreme law of Mexico would eliminate the protests now made, and which will continue to be made throughout the republic, against the imposition of the constitution of 1917 by the Carranza revolutionists, in violation of their most solemn pledges.

Neverthless, the constitution of 1857 is not an immutable law; nor do we believe that all its precepts respond to the admitted demands of progressive thought. Experience has shown the expediency, — the urgency we might say, — of introducing several amendments; but in order that they may have the same sanctity as the constitution itself, they should be effected **by constitutional means,** *that is to say, through the action of the federal congress and a majority of the state legislatures. Any other process is to be rejected as illegal — no less illegal than the meeting of the so-called Constitutional Convention which framed the constitution of 1917.*

A return to constitutional order, to a status of legality accepted by all (even by those who have sought to subvert it), would amount to the elimination of the first cause of discord among the Mexican people. The men who are today in control in Mexico should convince them-

selves that respect for legal tradition is the most powerful tie in maintaining the cohesion of a social group that is not yet definitely integrated.

In recommending the restoration of the constitution of 1857, we do not mean that the present Mexican Government should be overthrown through a fresh revolution. Should the government itself find the means of realizing this salutary measure, the main purpose we seek would be attained. We are indifferent as to the method chosen to restore the legitimate constitution, inasmuch as there is no law to prescribe it or even point the way; but we shall condemn the use of force, so long as there exist other means to attain the desired end.

Much capital has been made of the statement that the constitution of 1917 marks a great step forward for the Mexican people, with the corollary implication that the restoration of the constitution of 1857 would be a step backward, a reactionary step. This concept is false, as we shall readily show in the course of this study. Nay more; taken in its entirety the constitution of 1917 is less liberal than that of 1857, while certain of its precepts embody the most intolerable tyranny, and even the subversion of principles essential to any regime of democratic freedom.

In support of this statement, we may point to the fact that the constitution of 1917 sanctions, as a legal institution, the dictatorship of the executive branch by making the President virtually non-impeachable, and by reducing the sessions of Congress to barely four months a year. During this term, Congress must devote its attention preferably to the enactment of tax measures, to passing the budget and to auditing the accounts of the executive branch. Such a task leaves Congress no freedom of action, unless to the prejudice of these fundamental duties. On the expiration of these four months, Congress cannot function unless called into extraordinary session by the President, when its legislative sphere is limited to the matters specified in the call. A congress thus shackled cannot represent a free people.

Again, while the constitution of 1857 guarantees full religious freedom, that of 1917 persecutes all creeds and all religion. No one would dare to say that this form of tyranny over the conscience is an achievement in the path of liberty.

So, too, the constitution of 1917 mutilates the democratic principle of the liberty of education, which is fully guaranteed by that of 1857.

It has been said that Article 27 of the new constitution, which

undermines the right of property, is an achievement. We can neither endorse this theory, nor close our eyes to the palpable fact that the application of this article has only served to work extortion, without bettering the condition of the masses who continue sunk in age-long squalor and poverty.

We shall point out, in the course of our study, other innovations of the constitution of 1917, which constitute lamentable retrogression, as we shall, with no less impartiality, note in what respects the later instrument excels that of 1857. Were we to admit, however, that the new code is as a document superior to the former constitution, not even then would we declare ourselves in favor of it, for we cannot fail to take into account the fact that our people, like all peoples, is subject to historical and social forces of the sort which no statesman can afford to overlook if his work is to endure. One of these forces is that of LAW, *which builds the framework of the political structure of a people throughout its history. Until such time as a social convulsion shall break this framework, — as the French Revolution shattered that of an older order, — it must be preserved, if for no other reason than to prevent the establishment of the fatal precedent, which seemed to have been forgotten in Mexico, that every change of rulers can bring a new constitution, thereby sowing ineradicable seeds of discord. The only thing that the revolutionists might properly have done was the modification of those provisions of the constitution of 1857 which they deemed incompatible with the doctrines or pet theories of their revolution. Had they thus proceeded, they would have satisfied their program of innovations, without wounding public sentiment, nor furnishing fuel for future revolts, which will at any moment have the same justification as the movement initiated by the Plan of Guadalupe, namely, the restoration of the constitution.*

What force can be given to the constitution enacted at Queretaro by the provision of its Article 136 which prescribes that the very same constitution shall not lose its force and vigor even though its observance be interrupted by rebellion? An identical provision exists in Article 128 of the constitution of 1857. Yet this did not prevent Señor Carranza and his partisans from supplanting by another the very constitution for whose restoration they were fighting. By this attack on the legal principle that the constitution is one and **insubvertible,** *although subject to amendment, those who called themselves "constitutionalists" in advance made impossible any efficacy in their own constitution and*

destroyed all the force of the precept of its Article 136 which they themselves had failed to respect.

In a word, we doubt the effectiveness of any constructive labor in Mexico without the vindication of the principle of legality, the only means of averting the anarchical tendencies of those who dream of attaining the triumph of social justice by the destruction of society itself. Legality, represented by a constitution historically sanctioned and wholly identified with our justly-earned glories, will be the sole beacon to the Mexican people in the midst of the storm of passions and conflicting principles which now engulfs the world. The constitution of 1857 opens the doors to social progress in every respect, and is susceptible to far-reaching amendment, which would insure real progress for the people, as we hope to show in the course of this study.

Having stated our purposes, we shall proceed to analyze them in the chapters of the following program.

New York City, September, 1920.

I

MEASURES SUITABLE TO MAKE DEMOCRACY EFFECTIVE IN MEXICO

IT IS NOT to be gainsaid that with all the disastrous effects of the convulsions that have shaken Mexico for the last ten years, certain results quite beneficial to our political advancement have been attained. Among others, we must not overlook the full realization by the people of the fundamental concept of sovereignty in a democratic government. Civic duties, which for so many years had seemed dead or forgotten, are taking root more and more in the public mind; and the people have begun to realize, as the fruit of bitter experience, that only by the unflinching fulfillment of those duties which a democracy imposes on each citizen, can the Republic be freed from tyrannies which degrade, or anarchical convulsions which destroy.

Nevertheless, we are far from priding ourselves upon the establishment of democracy in Mexico; and we would be guilty of lack of sincerity if we were to say that the government that brought about the so-called constitutionalist revolution was a regime where liberty and justice ruled, in other words, a democratic government. Had this been the case, we should never have thought of offering, from exile, our feeble contribution to rescue the Republic from the terrible dilemma to which the Carranza Government was dragging it: disintegration in a whirl of disorder and immorality, or a collapse into foreign hands which, at the cost of our sovereignty, would redeem us from our own helplessness.

And yet, it is with a feeling of sadness, that we record the fact that the disappearance of the Carranza administration has not made, as if by magic gesture, a radical and definitive change in the government of Mexico. However much of an effort may be made to prove that the revolution which overturned Carranza was inspired by lofty and legitimate purposes, and the motives of those who seized the reins of government disinterested, — and we admit this fact without qualification, as to certain of its members, — there is still a formidable barrier to the unencumbered progress of our political development, which is not surmounted by the mere substitution of a new governmental

personnel, even though the new men are animated by a genuine intention to respect popular liberties. This obstacle is the appalling illiteracy of four-fifths of the Mexican people.

A people whose vast majority is wholly illiterate, a people which does not read because it cannot read, a people in part consisting of groups speaking only their native tongues, is not the *demos* that a system of popular government requires and, indeed, takes for granted. This situation is not peculiar to Mexico; it occurs throughout the nations of Spanish America in which the classical despotisms of the American continent have flourished. By the side of a substantial group, well qualified to comply with the obligations imposed by democracy, there are in Mexico twelve million human beings in the lamentable state of backwardness we have just described. Our professional politicians lack the necessary moral courage to admit that these twelve millions must be transformed by education before they can be called upon to exercise their civic duties, and choose rather to endorse the conventional allegation that all Mexicans are fitted for self-government. This attitude should be attributed not so much to a fanatic regard for the democratic principle of universal political equality, but to a desire to flatter the masses by references to their rights, and then use them to furnish the brute force with which the government can be seized by violence, and retained by terrorism.

The "constitutionalist" revolution, like every other revolution in Mexico, promised us the reign of liberty; but the Carranza regime fell far short of fulfilling its promises of liberty, even though it could not wholly stay the political progress of the Mexican people. We should say on its behalf that no government, however well disposed, can fulfil such promises in Mexico, so long as the people do not do their part. When governments in Mexico respect liberty, it takes on the form of anarchy under the influence exercised over the masses by nefarious agitators; and then the governments, facing the danger that society may be engulfed by anarchy, restrain liberty, and finally fall into the opposite extreme — despotism. If democracy, with universal suffrage, were practicable in Mexico, the movement that overthrew Carranza would have had no possible justification. Carranza sought to impose his will regarding the election of his successor in the chief magistracy. Could he have achieved this end, if the people fully grasped the significance of their political rights? What fear could the other presidential candi-

dates have entertained, if the people were really to decide the election by their ballots? In countries where the people act through the force of public opinion and the ballot, — *and these are always the countries in which illiterate citizens form an insignificant minority*, — it is unnecessary to appeal to violence to prevent electoral impositions. The mere mention of such fraud in these circumstances is a paradox. In any event, the people protest of their own accord, and do not need nor tolerate that the army should become the interpreter of its will. The Republic of the United States has never known an instance where the army, in defense of popular rights which have been violated, has overthrown a government and set up another in its place. In Hispano-America, with two or three relatively recent exceptions, the army makes and unmakes governments, and the popular vote merely serves to ratify the violent acts of military chiefs.

We are ready to admit that the last movement in Mexico was in part provoked by Carranza himself in illegally persecuting the most conspicuous among the presidential candidates; but were the people the decisive factor in electoral contests, neither would Carranza have dared to engage in this persecution, nor would the persecuted candidate have witnessed the practical wholesale defection of the army to his cause. Pretorian armies exist only in those countries where liberty is not held by the people as a precious and inviolable patrimony.

The only excuse, the sole plausible explanation that can be given to the latest political movement in Mexico, is that which its initiators and beneficiaries do not dare to state, namely, that the great mass of citizens, by reason of their own impotence, were obliged to remain inactive while others officiously defended their possession of the fundamental civic rights which Carranza sought to violate. When a people is in such a case, democracy becomes a fiction and cannot be said to exist.

We are convinced that those who attain power under the role of "champions of the people's rights" cannot honestly admit our true condition. The adult illiterate must be educated, or at least afforded every facility to rise from his abject condition; the Indian who can only speak his vernacular tongue most be taught to speak, read and write the national language — Spanish. Until these results are attained, the illiterate should be kept in a state of political minority, which will automatically end the day that he acquires that elementary knowledge which the law should demand for the exercise of civic rights. The government,

on the one hand, the cultured classes, on the other, and, in general, all citizens who love their country and are interested in its progress, should leave no stone unturned to efface, as rapidly as possible, the widespread stain of illiteracy. One of the chapters of the present program is devoted to this subject. Considering the question now solely from the political point of view, we hold that the most radical measure, the most progressive and the most *democratic,* that a party seriously engaged in the reconstruction of Mexico can adopt is to restrict the ballot to those who, in fact, know how to use it.

Although at the moment of decisive action our politicians show their profound distrust of the people, — we have indicated that the overthrow of the Carranza Government was a manifestation of this distrust, — they do not, however, seem resolved to abandon the false theory that it is a duty to render homage to ignorance and incompetency. It is common knowledge that the section of the electorate which may be regarded as qualified to vote abstains from doing so because they know that their ballots are overwhelmed by the mass of votes of the illiterate; and it is common knowledge, too, that these are cast recklessly and irresponsibly, or manipulated by unscrupulous politicians. We thus deprive the population of its best elements, as well as its fittest directors, and we stifle civic spirit in the very groups which ought to be the bulwark of our institutions. Consequently, the caste of "champions of the people's rights" will continue to flourish among us.

The government in Mexico which is to follow the present provisional government should seek a basis of support more in keeping with the facts and with the true condition of our democratic elements. If it fail to do so, it will have to be satisfied with living a precarious existence, until it is in turn overthrown by future defenders of the rights of the people. The work of reconstruction in Mexico will thus be subject to the hazards of fresh upheavals.

Our views on the subject matter of this chapter may be summarized as follows:

> Bearing in mind that the Mexican people has now begun to take the first step in the exercise of self-government, by electing, although imperfectly, its magistrates and by exercising the correlative rights of petition, assembly, organization for political purposes, and of freedom of speech and the press, we believe that it is a paramount duty of each administration to guarantee the exercise of these rights, to

see that popular liberties are exercised in a peaceful and orderly manner, and that the laws regulating the exercise of political rights are fitted to the condition of our people, in order to assure the effectiveness and sanctity of the ballot.

We therefore deem it indispensable that, in federal and state elections, the ballot be exercised only by Mexican citizens of more than twenty-one years of age, of honest means of livelihood and able to read and write the Spanish language.

This last condition is not to be required in municipal elections in the case of persons occupied in an industry or trade as defined by law, or owning real state within the respective municipal area. *

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* Note to the English Edition. — We have heard the opinion expressed that our recommendation with respect to limiting suffrage in Mexico may be regarded by the American reader as an undemocratic measure. We are satisfied, however, that no American conversant with our social conditions would regard this recommendation other than as a step toward the establishment of true democracy in Mexico. Only those whose political knowledge is confined to the boundaries of the United States and who for that reason believe that political standards prevailing in this country are applicable to countries of entirely different social and economic structure, will condemn our attitude. Such condemnation must, of necessity, lack weight.

To us a century seems long enough to experiment with a system of government. During one hundred years Mexico, like other Spanish-American countries, has experimented with democracy on a basis of unrestricted qualification for the voter; and the result has been a continued failure. Are we not entitled to try another system more in harmony with the scientific principles of the government of a true democracy?

With only two exceptions, revolutions in Mexico have not been *revolutions,* in the social and historical sense; they have been the bloody, nay, demoralizing and destructive form in which the personnel in power has been replaced. The ballot is used only to ratify and endorse the result of an act of violence. This happened with Gen. Porfirio Díaz; similar was the procedure adopted by Madero; Carranza followed the same path; and Gen. Obregón was forced to resort to the same method.

This experience is more than enough to prove that democracy in Mexico has not been achieved through universal suffrage. *Eighty per cent* of the citizens entitled to vote are illiterate. Half of this number are Indians of whom a considerable proportion do not even know Spanish. While in the United States out of every one hundred electors only *eight* are illiterate, out of one hundred Mexican electors more than *eighty* are illiterate.

Nor is illiteracy the only scourge of our democracy. There is also the misery prevalent among the great majority of our people. Had we but spent in schools and in uplifting the masses sunken in poverty the countless millions we have wasted in unwholesome political strife! Instead, politicians and military leaders, while proclaiming the rights of the masses, have brutally used them as cannon fodder, as the element of force to ruin the country in their mad struggles for power.

Our five million illiterate Indians, so long as they remain illiterate will be

incapable of understanding political issues. Democracy has succeeded only where the electorate has been intelligent and sufficiently cultured to understand the issues.

The accuracy of this principle has been appreciated by the American people in several instances. We refer to the policy employed in handling the American Indian problem and the situations in Hawaii, the Philippine Islands and Porto Rico. The American people have seen fit to keep under the Nation's guardianship, without any political rights, a few hundred thousand individuals of Indian race inhabiting the United States. And yet the number of these Indians is insignificant, in absolute and relative terms, compared to the number of Mexican Indians, and could not, by reason of its insignificance, jeopardize American democratic institutions. In Hawaii, the Philippines and in Porto Rico the first thing the American people did in laying the foundations of democratic government was to establish, as a qualification for the voter, the ability to read and write. Why, then, should a similar system be regarded as undemocratic in Mexico?

It goes without saying that in depicting our political backwardness, we do not speak in derision of our people, of whom we form a part and whom we love. We talk as men who honestly state facts. Such a condition does not signify a reflection, for even the most advanced peoples have had to pass through it in their social evolution.

THE AUTHORS

II

CHECKS AND BALANCES OF THE BRANCHES OF GOVERNMENT. IMPEACHMENT OF OFFICIALS. METHODS OF SUBSTITUTING THE PRESIDENT.

THE PROVISIONS of the constitution drafted at Querétaro relating to the function of the powers of government are substantially those of the constitution of 1857. The former instrument, however, contains certain innovations which we think helpful, and tending to secure harmony between the branches of government, without leading to any diminution of the liberties of the people. We shall note these innovations in the course of this chapter.

The constitution of the United States established what is known as the "veto", that is to say, the power of the president to return to Congress bills enacted by it which, in his judgment, should not be approved as being contrary to the public interest or to the constitution, or for any other sufficient reason. Should Congress vote by a two-thirds majority to override the veto, the bill becomes a law.

This concept has been followed in the main by the Querétaro constitution. It involves a considerable advance over the constitution of 1857 which established the omnipotence of Congress at the expense of the other branches of government. We do not hesitate, therefore, in recommending this innovation, into an academic discussion of which we shall not embark as being beyond the scope of this document. But the framers of the constitution of 1917, inspired by a reactionary tendency, set themselves out to limit the purely legislative function of Congress. To this end, they reduced the annual sessions to a single term of four months, while they left to the sovereign will of the President the power to summon Congress into extraordinary session, at which time, however, it might only deal with such matters as were expressly enumerated in the call.

We condemn this system, not only as anti-democratic, but because it prevents Congress from carrying out its inherent function. The four months of the regular session would probably suffice for an examination of the governmental expenditures for

the preceding year, and for passing the budget and revenue bills; but if Congress earnestly sets itself to this task it will not have time for other matters not fiscal in character. In order to avoid this difficulty, the Carranza congress resorted to the old system of conferring legislative functions upon the Executive — an odious form of dictatorship, which those who had undertaken a revolution to sweep away a dictatorship and safeguard popular rights did not hesitate to endorse!

A return should be made to the system embodied in the constitution of 1857. With a Congress elected by the ballots of Mexican citizens who realize the importance of the electoral function, we may count upon a legislative branch qualified for the performance of its natural duties, and which need not be muzzled as the Querétaro constitution seeks to do. The debates of a free Congress, chosen by a competent electorate, would be a factor of prime importance in creating public opinion on affairs of national interest and in awakening in the people a civic spirit.

The constitution of Querétaro likewise changes the precepts of the 1857 document as to the impeachment of the President and other high federal officials. It seems needless for us to condemn here as dangerous and contrary to the fundamental precepts of our own institutions the method established by the constitution of 1857, whereby a mere majority of the Chamber of Deputies might depose an official, including the President of the Republic. The existence of this power in the Congress has contributed in no small degree to the use by various presidents of legal and illegal means to command a favorable majority in the House, in the interest of their own safety and in that of the government itself. But the Querétaro constitution goes much farther than what democratic principles recognize, in making the President unimpeachable, so that, like the monarchs of divine right who could do no wrong, he may violate the constitution and infringe electoral liberty with impunity. This is nothing more nor less than the consecration of dictatorship as a legal institution. The Querétaro constitution only permits the impeachment of the President in the exceptional cases in which he commits grave offenses of the common order or high treason.

We, accordingly, recommend the maintenance of the provision of the constitution of 1857 which provides that the President may be impeached for express violation of the constitution and for attacks on electoral liberty. Nevertheless, we are

of the opinion that those portions of the Querétaro constitution which aim to protect officials against the passions that are so easily aroused in a body of the organization and character of a popular assembly, and which are based on the constitution of the United States, should be followed in the main lines.

The constitution of 1857 makes of the Senate the tribunal to impose sentence in cases of official offenses. This gives the federal courts, should the occasion arise, the power to review the rulings of the Senate, whenever the accused officials shall institute *amparo* proceedings on the ground of a real or alleged violation of individual guarantees. This may well cause serious conflicts between the two branches of government and facilitate situations favorable to *coups d'état* and, in general, to disorders. If the function of the Senate in the matter of impeachment is confined within strictly political limitations, the federal courts ought to be given no possible ground for intervention. The decision handed down by the Senate as to the removal of a public official from office is, and should be, a sovereign and exclusive act, wholly political in character, involving no question of a violation of individual guarantees. When the functionary has once been removed, if the law prescribes a penalty other than that of removal from office, the case passes into the jurisdiction of the proper court which will decide on the application of the penalty established by law.

Lastly, we believe that in suppressing the vice presidency the Querétaro constitution introduced an innovation which, while hardly defensible from an academic point of view, is highly to be recommended in the light of the painful experience of our history. If through an unhealthy development of our political life, the Vice President is the official through whose election the gravest disagreements have been produced among the Mexican people, then the vice presidency should be suppressed. The Querétaro constitution entrusts to Congress the designation of the acting or substitute president, whenever necessary. While this procedure has not yet been put to the test of a practical application under normal and legal conditions, the failure of the various expedients provided in the constitution of 1857 and its successive amendments leads us to believe that it is preferable to adopt a system substantially identical with that laid down in the Querétaro constitution. We, accordingly, recommend that the constitution of 1857 be amended in this respect.

We may sum up as follows:

With a view to bring about a proper balance between the different branches of the government and their free action within the respective spheres of their constitutional attributes, and to assure, as far as possible, the political stability of the country, we submit the following recommendations:

(A) That there be definitely established the "veto", namely, the power of the President to return to Congress, within ten days and with such observations as he may see fit to make, any bill received for his signature, which, in his judgment, is open to objection. Should Congress confirm its previous action by a two-thirds vote of the members present, provided there is a quorum, the bill then becomes a law. The Executive shall not veto the resolutions of Congress when it acts as an electoral body or exercises the powers conferred upon it by the constitution in the impeachment of officials.

(B) That Congress ought to have two annual sessions, as provided in the constitution of 1857. It is our judgment, however, that it should not be the exclusive attribute of the Standing Committee to summon Congress or either of the legislative bodies into extraordinary sessions during the recess, but that this power should likewise be vested in the President.

(C) That only in the event of the suspension of guarantees should Congress invest the President with legislative powers; in such event it shall set the time within which they shall be exercised and the department of the public service to which they shall be confined. The grant of "extraordinary powers" to the President, — other than in the exceptional cases hereinbefore enumerated, — is contrary to the essence of democratic government and is an attack on the rights of the people.

(D) That before any high federal official, except the President, can be brought to trial for offenses of the common order, it will be necessary for the Chamber of Deputies, by a two-thirds vote at least, to declare that there are grounds to proceed against the accused official, who, in such event, shall be removed from his post and be subject to the jurisdiction of competent tribunals.

(E) That pursuant to Article 103 of the constitution of 1857, the President may be impeached only for high treason, express violation of the constitution, an attack on electoral freedom, or grave offenses of the common order. Should the Chamber of Deputies, by a vote of two-thirds, decide that there are grounds to proceed against the President, the case shall be reviewed by the Senate. Should the Senate, also by a vote of at least two-thirds of its membership, confirm the decision of the Chamber of Deputies, the President shall be forthwith removed from office and be subject to the jurisdiction of the regular courts.

(F) That in the case of dereliction of official duty on the part of a government official, a procedure analogous to that prescribed for the impeachment of the President shall be followed.

(G) That the regular courts shall be exclusively charged with the trial of functionaries of any category when accused of offenses of the common order or official offenses, without any other limitation than the findings of the Chamber of Deputies, or of the Chamber and of the Senate, in the cases hereinbefore presented. Accordingly, the jurisdiction in the criminal order conferred on the Senate by Article 103 of the constitution of 1857 ought to be terminated.

(H) That the temporary or permanent disability of the President should be provisionally filled, by operation of law, by the Secretary of Foreign Affairs, and in the absence of the latter by the Secretary of *Gobernación;* but Congress shall forthwith proceed to choose an acting President. The secretary of department who shall have assumed the provisional presidency ought not to be eligible for the office of substitute president. Should Congress be in session, it might sit as an electoral college so soon as the disability of the President were to occur; if in recess it might be summoned in extraordinary session without delay by the Standing Committee. Senators and Deputies ought to vote individually by secret ballot.

III

FOREIGN AFFAIRS

ANY DIPLOMACY inspired in a spirit of insincere patriotism and merely rhetorical is helpless to safeguard the dignity of Mexico and to avoid encroachment upon its sovereignty, as was seen during the Carranza administration. We trust that this type of diplomacy will be definitely abandoned, as also that which seeks to awaken international antagonisms on this continent, with the vain and illusory hope of finding in kindred peoples the instrument to ward off the geographic and economic fatalities which at times seem to conflict with our happiness and our standing as a free people.

We must frankly face our international situation and not seek, in vain, to avoid it by fair words or by unfortunate manoeuvres. Whether we will or not, with no other country in the world are we bound by such close ties as with the United States. We should then aim to develop our national life, in entire harmony with the national life of our neighbors to the north, with no impairment of our autonomy, nor loss of our social, historical and racial traits. In close touch with our neighbors to the north, we enjoy the use of their capital in the development of our resources, their markets for the sale of our products, their technical skill to train our producing class; these are but some of the many advantages we derive from their higher civilization. They, in turn, need our labor, our metals, our fuel, our varied crops; while finding in Mexico a fertile field for their spirit of enterprise. Their relations with other countries of the world cannot be a matter of indifference to us, since their victories or their defeats must be reflected on us, either adversely or favorably; and the phenomena of an economic or moral order which such events bring in their train are certain to react in Mexico.

In addition to these considerations, we should bear in mind, in defining our foreign policy, that public opinion in the United States,— the sound and well-informed public opinion,— rejects any policy toward Mexico that does not rest on absolute equality, cordiality and mutual respect. This situation helps our govern-

ments to outline a far-sighted foreign policy which shall know how best to turn to our own advantage the circumstances just defined.

The preferential position given to our relations with the United States does not mean that we fail to realize the importance of our relations with other countries, although our contact with them cannot be compared, either from an economic or political standpoint, with that which we maintain with the United States. The intellectual influence exercised on us by certain European nations, the similarity of race, history and language that we have with other peoples, besides reasons of a commercial and financial order, maintain alive the international interest in Mexican matters. This conjuncture of events requires us to observe a conduct in our foreign relations which shall contribute to recover the respect of the world which we formerly enjoyed. We are not blind to the fact that the first condition in attaining this end is the performance of our international duties, — a subject which we shall consider in detail in various chapters of this document, — but we should forthwith institute in our dealings with other peoples a serious, decorous diplomacy, without boastings impossible to maintain, which shall aim to have us regarded as honest men, rather than as subtle and invincible dialecticians.

Our recommendations in this regard follow:

The Mexican Government should adopt a frank and open foreign policy, free from special alliances and entanglements, and inspired in the concept of world brotherhood.

In our relations with the other peoples of this continent, we should aim to have the principle of mutual respect for territorial integrity and political sovereignty prevail as a principle of Inter-American public law.

Especially in our relations with the United States, our diplomacy should bear in mind that with no other country are we so closely bound by ties of geographic propinquity, by the exchange of commodities, and, in general, by countless reasons of an economic and moral order.

The Government of Mexico should seek the early celebration of conventions with the United States for the settlement of the pending boundary questions between the two countries (the Chamizal Case and the definition of the status of international rivers), and for the facilitation of the exchange of commodities and the promotion of relations between the inhabitants of both countries, particularly along the border where the contact between the two peoples is so intimate. Among such conventions, particular attention should be paid to that

defining the validity of judgments and rulings of the civil courts of Mexico with regard to persons and things within the jurisdiction of the United States, and vice versa. Until such time as an international agreement on the matter is reached, the Mexican courts should strictly observe the principle of reciprocity.

Bearing in mind that, in normal times, the majority of our imports from, and exports to, the United States are carried by railroad, and in the absence of a united transportation and rate system which shall assure through traffic and avoid the inconveniences of the application of different laws and regulations, our government should initiate the execution of a treaty with the United States Government which shall embody the general conditions applicable to international railroad traffic and rates.

IV

THE NATURALIZATION AND CIVIL STATUS OF ALIENS

AMONG the novelties introduced by the Carranza legislation, and particularly by the constitution framed at Querétaro, those referring to the rights of aliens and naturalized Mexicans have been especially criticized abroad. Not only the former, but what is more difficult to explain, the latter, as well, are hampered with countless limitations and even incapacities, which place them in a position of mortifying inferiority with regard to native-born citizens.

It would be out of place to enumerate all the restrictive precepts of the new legislation on the subject. Mention will, accordingly, be made only of those laws which are particularly striking.

Article 27 of the Querétaro constitution embodies the principle that aliens may not own real estate, nor be granted concessions covering waters, mines, and the like, except by the grace of the executive authority, after the interested party has made formal waiver of the right to invoke the protection of his government.

While it is true that certain countries do not grant aliens the right to acquire real estate, we are, nevertheless, of the opinion that Mexico should return to the liberal system that prevailed under the constitution of 1857. Having due regard for the cultural and economic situation of our native population, coupled with the fact of its sparseness, it appears advisable to encourage the establishment of foreigners in Mexico. Experience has shown them to be elements of moral progress and factors in the development of public and private wealth.

It should be said that the requisite demanded by Article 27 of the constitution of Querétaro as a condition for every alien to own land, namely, the waiver of the right of invoking the protection of his government, is manifestly illusory. No foreign government recognizes the force of such a waiter. The law then fails in its purpose, and becomes useless and gratuitously hostile to citizens of other countries.

Provisions fixing the civil capacity of aliens have no place in the political constitution of the republic. They belong in general statutes, in special laws on naturalization, and in international treaties. In the absence of express treaty stipulations, Mexico must accept, in general terms, the principle of the equality of civil capacity of Mexicans and aliens, excepting limitations required by the principle of reciprocity, and such other limitations as arise out of the needs of domestic safety or of insurance against international complications.

With regard to foreign corporations, we believe that the incapacities placed on them by the Querétaro constitution, in provisions similarly incongruous in a constitution, reveal in the framers a mistaken appreciation of the present day needs of the country. We are not opposed, in principle, to the establishment of these incapacities, insofar as they are confined to the ownership of real property; but, at the same time, we believe that the legislator should mitigate the severity of his theories when the great interests of the nation so demand. The position in which Mexico now finds herself as the result of her internecine strife and the condition of the world money market caused by the European war compel the Mexican statesmen to adopt a generous policy which shall attract to the country capital to develop our resources and contribute to the moral and economic betterment of our down-trodden people. In harmony with this policy, it is necessary to return to the former system and to permit foreign companies to enjoy the same rights they enjoyed before the Querétaro constitution, as the most practical method of inducing foreign capital to engage in Mexican enterprises. At a later date, when the political equilibrium has been restored, when the methods of government admit of no question as to their probity, when, in a word, we have reconquered the confidence abroad which we once enjoyed, the time will have come slowly to force foreign capital to operate in Mexico within the forms of association prescribed by Mexican law; but everything which at the present moment is done in this regard will affect adversely the economic progress of Mexico.

On the other hand, it is our opinion that the very lax requisites prescribed by our present commercial law for foreign companies operating in Mexico should be revised and adequately regulated. The State should receive abundant guarantees before recognizing the existence and juridical personality of corporate entities created under foreign law. It should equally assure the

safety of the interests of Mexican citizens who have acquired stock therein or who may have dealings with them.

Article 33 of the Querétaro constitution vests in the President the power to expel any alien whose presence in Mexico he may deem inexpedient. Such power is repugnant to modern legal thought, which recognizes the right of every man to live in whatever country suits his pleasure, with such limitations as *the law* may prescribe, not the caprice of a man, however high his official investiture. It is right that the *undesiderable* alien should be expelled, after he has been duly declared so to be, in accordance with the application of general precepts fixed by the legislator; but to leave to the irresponsible whim of a functionary the determination of the expediency of the continued residence of an alien in Mexico is tantamount to placing all foreigners living there in the status of residents *by grace*. Such a condition is in conflict with every principle of justice, with international law, and even with treaties now in force.

In the case of naturalized citizens, the laws enacted by the Carranza regime prescribe such a large number of humiliating exceptions and establish such a marked inferiority between naturalized and native-born citizens that it would appear as if the theory underlying these laws was that of closing the door to foreign immigration, to whose beneficent influence other nations of the American continent owe much of their progress and political stability. It is enough to cite the fact that today the requisite of being a citizen *by birth* is demanded in Mexico of anyone desiring to become a pilot or engineer of a Mexican merchant vessel, or an assemblyman in a city council.

It is not to be expected that, in the face of such restrictions which involve, at least, profound humiliation, naturalized foreigners in Mexico should feel any love for their adopted land and be ready to honor and defend it, as if it were their country by birth. Nor can the acquisition of such a mutilated citizenship be held in esteem by nationals of other countries.

We believe that, in this regard, the prevailing views of world fraternity and the advantages to our own country, in view of the appalling poverty and illiteracy of the four-fifths of our population, call for liberal laws, more liberal even than those that prevailed before the Querétaro constitution. As to unnaturalized aliens, we do not advocate any more general restrictions than are strictly necessary for the internal and foreign safety of the country and the preservation of our racial characteristics. In

the case of naturalized foreigners, we believe that the system prevailing in the United States should be adopted. There, the status of native-born citizen is required only for the presidency. With this single exception, the naturalized citizen and the native-born citizen should be equal in the eyes of the law.

Our recommendations on this subject are as follows:

Aliens should enjoy in Mexico the same civil rights as Mexicans, excepting only the power of the Government to expel the undesirable alien in such terms and conditions as the law shall prescribe.

The civil rights of aliens may, however, be limited by the application of the principle of reciprocity, and on grounds of domestic or foreign safety, as defined by law. Similarly, restrictions, and even prohibitions, may be introduced into the immigration laws as to the entrance into Mexico of foreigners of a certain race or status.

Foreign commercial companies may engage in business in the Republic and acquire therein real property of any kind, whenever equal privileges are granted to Mexican companies in that country or state under whose laws they are organized. In any event, such foreign companies should be subject to the conditions prescribed by Mexican law to prove their legal existence and corporate powers, and to safeguard the interests of Mexican stockholders and of all persons in Mexico doing business with them. To this end, there ought to be established a special bureau to examine and record documents, as well as to see that foreign corporations comply with the obligations imposed by our laws.

Neither the civil statutes nor the political laws ought to establish any distinctions between Mexicans by birth and by naturalization; but the law of naturalization should be revised so as to guarantee the sincerity of motive prompting the foreigner seeking Mexican citizenship.

Neverthless, the requisite of Mexican citizenship by birth ought to be required to be President. In order to fill other public posts of a political character, whether of popular election or not, a naturalized Mexican citizen ought to have resided in the country for a period of not less than ten years from the date when he acquired Mexican citizenship.

V

MUNICIPAL AUTONOMY

THE SUPPRESSION of the system of *Jefes Políticos* throughout the Republic is a change for the better, due, in all justice, to the revolution. Without considering the usefulness, from an administrative point of view, of these functionaries, we must admit that they served as effective instruments of governmental tyranny, thereby becoming not only unpopular but even detested.

In order to guarantee the permanency of this achievement of the revolution, the Querétaro constitution provided that the basis of the territorial division of States and of their political and administrative organization should be the autonomous municipality. To this, no objection can be raised. But the framers of the above-mentioned constitution, out of deference to an old national prejudice, provided that each municipality should be *administered* by a city council chosen by direct popular vote, under the belief that this is a necessary condition to assure municipal autonomy.

We are ready to admit that the municipality should constitute the political administrative division of each State, and that between the State government and the municipal government there should be no intervening authority (the intervening authority heretofore having been the *Jefe Político*); but we reject, as scientifically incorrect and as contrary to experience, the theory that municipal autonomy only exists when municipal affairs are exclusively in charge of a corporate body known as a city council.

Our own experience, confirmed by that of other countries, shows that nothing has ever been devised less fitted to *administer* the public affairs of a municipal community than a group of men, chosen by popular ballot, professional politicians for the most part, or mere agitators who at the very least use their offices for purposes almost wholly political. The corruption and incompetency that characterize city councils *that administer* municipal affairs indicate beyond question that another solution of the problem of good municipal government must be sought,

which shall not, of course, sacrifice the basic principle of the autonomy of the municipality.

General rules cannot be laid down in this connection. There are municipalities which, through their lack of adequate revenue, their small number of inhabitants, and the simplicity of their municipal needs may be satisfactorily governed by a city council. In such event, the administrative body ought to be composed of a small number of men chosen from among neighbors who personally know one another, and whose duties, light and in no sense technical, can be discharged under the direct supervision of the community.

But in the case of densely populated centres whose inhabitants are counted by tens or hundreds of thousands, the elements of the problem change completely. The election of councilors then becomes a question of politics, and the complex and varied character of municipal affairs renders difficult the wise selection of a larger number of competent administrators. Furthermore, individual responsibility is in such cases impossible.

Large city councils become, through force of circumstances, deliberative bodies, subject to political passions proportionately as the number of members is greater. By reason of their structure and constituency, these bodies lack technical skill, and are unable to carry out any administrative task really beneficial and in the public service. It is but a step from this stage to that of dishonesty and chaos in municipal administration.

Examples of this state of things were afforded by the city councils of Mexico City, and those of the majority of the large towns in the Republic during the Carranza administration. Blackmailing councilors, dishonest employees, shocking ignorance and incompetence on the part of both, abandonment of the public services most needed by the community (for the upkeep of which, however, heavy taxes were collected from the people) — this picture of shame was the result of the erroneous application of a fundamental principle of democratic government.

The method of administering a municipality should be determined by conditions obtaining in the municipality itself: what is advantageous to one may be disastrous to another. In some cases, we repeat, it will be advisable that the council be endowed with administrative powers; in others, that they be exercised by a mayor, with the right of supervision and

censure in the council, as well as the properly legislative function of issuing municipal ordinances, approving expenditures, and authorizing contracts for public works, franchises for public utilities, etc.; in still others, it will be preferable that the administrative duties of the mayor be distributed among a small number of administrators. In any event, and whatever be the method adopted, the principle of municipal autonomy is to be safeguarded. This can be fully guaranteed by the popular election of officials, and with the administration of the municipal services and revenues as a sovereign attribute of the municipality, free from control by federal or state governments.

We, therefore, submit the following recommendations:

The basis of the administrative and political organization of the Republic ought to be the autonomous municipality, it being clearly understood that between the properly municipal functions and the general powers pertaining to the state or federal governments, as the case may be, no official nor administrative functionary shall intervene. Accordingly, the constitution should forbid the restoration of *Jefes Políticos, Prefectos Políticos,* or any other similar authorities.

The Federal Congress and the State legislatures ought to be charged with enacting for the Federal District and Territories and for the States, respectively, general statutes on municipal administration, and with the issue of special municipal charters in the case of the creation of new municipalities or of the reorganization of existing municipalities. In any event, the municipality ought to be sovereign in the administration of its services, as well as in the collection and disbursement of revenues assigned to it under the law.

Mayors or other officials charged with municipal administration, as well as city councils or town corporations, shall be chosen by popular ballot. The powers of the latter class shall be fixed by law or by the municipal charter, on the ground that, except in special cases, they are to be essentially legislative and not administrative.

VI

EDUCATION

THE SOCIAL condition of the Mexican people, like that of all backward peoples, presents many striking contrasts. Side by side with the more rudimentary and primitive industrial methods, are to be found the large manufacturing establishments of modern days. The transport of freight on the backs of man or beast competes with railroad traffic; the plough introduced by the *conquistadores* in the sixteenth century bars the way to the use of modern farm implements. Without indulging in rhetorical figures, it may be said that Mexican society is composed of two distinct societies: that of the under-civilized forming the overwhelming majority, and that of those who, in relatively small numbers, live the life of modern civilization.

According to data published at the end 1919 by the Director General of Education of the Carranza administration, the number of Mexicans who can read and write is but slightly in excess of three million, while the remaining twelve million of the population are sunk in illiteracy. The first group is fit to engage in democratic government, and can intelligently weigh its problems. Is it reasonable to say that those who comprise the second group, that Indians who speak no Spanish and know no world beyond the settlement in which they were reared, can realize what is meant by a ballot, a federation, the independence of the branches of government, or any other of the basic concepts of our political system?

It is vain to argue that the same economic principles, the same social institutions, or political laws operate in this dual system of national elements. Mexican statesmen who have believed, or have appeared to believe, that this is possible, must admit themselves worsted after a hundred years of unbroken failure. No one can loner ignore, if his word be sincere, that these human groups are incapable of permanent co-ordination, and that if they co-exist it is because one group, by force or by acquiescence, is subordinate to the other. It is this condition that occasions the profound crises and chronic convulsions that our history depicts.

But the subordination of one group to the other means tyranny and injustice. Justice and liberty are only to be attained when the great backward group is redeemed by the small civilized group, and succeeds in raising itself to that standard of self-governing peoples among whom democracy is a real function and not a mere word inscribed in statutes and enrolled in revolutionary manifestos. We mean that the light of education must be diffused throughout the masses so as to open to them horizons now hidden; that physical needs and desires for recreation and adornment, which their squalid condition has not hitherto allowed them, must be created, thereby stimulating their eagerness for work; that they must be given practical instruction in manual arts and agricultural training to redeem them from the deadly routine in which they are now submerged; and, lastly, that the spirit of solidarity with the community of which they form a part must be inculcated in them, progressing by stages from the settlement to the municipality, from the municipality to the state, and from the state to the nation.

The *universal* graded school is, if not the first, at least one of the most effective instruments of education in this immense task. By *universal* is meant that the school-houses should be accessible not alone to the city multitudes but to the immense and even more ignorant population of the fields and mountains, until there is not a single nook or corner where its beneficent action is not felt.

When this requisite has been satisfied, the curriculum of the grade school will depend upon the financial resources and teaching corps available, ranging all the way from rudimentary education to higher education, but ever guided by the practical aim of making of each individual *a civilized man of action.*

The municipalities and states have not thus far been able to meet this immense obligation, either with sufficient means or quality of service. In the palmiest days of Mexico, the state and municipal schools satisfied the needs of barely seventeen per cent of the scholastic population, and private institutions added only four per cent more.

Fiscal poverty has been the cause of this inadequacy, as it must continue to be for many years to come. Today the states would be called upon to devote the total of their revenues, and even a little more, in order to furnish adequate educational facilities, at least in so far as the number of schools is concerned.

The Carranza regime, which loudly and constantly boasted

of its love and interest for the masses and which held itself up to the world as the redeemer of the oppressed, counts among its great shortcomings that of having destroyed much of what former governments had done for the education of the people. It began by prohibiting in the constitution all intervention by the federal government in elementary education. If then suppressed the department of public instruction, that is to say, the instrumentality through which the federal government by means of such revenue as it had available, might remedy, in part, the immense deficiencies of state scholastic organizations. In prohibiting in private educational establishments the teaching of every religion, it deprived a portion of the people of the benefits which it might derive from private initiative in education.

The results of this policy have been so fatal that in the very capital of the Republic, by the end of the year 1919, one hundred and twenty-eight public schools had closed their doors, and twenty-five thousand children of school age were deprived of all educational facilities. In other municipalities of the Federal District the disaster attained incredible proportions: a municipality, like Tacubaya, which prior to the revolution had twenty-two primary schools, like Xochimilco, which had thirty-six, had to close all their schools.

If this occurred in the Federal District, — in the most populated, wealthy, and cultured centre of the Republic, — it is easy to surmise the frightful condition to which this elementary service of popular education reached in the states during the Carranza regime.

We readily admit that the government that has succeeded that of Sr. Carranza has announced certain laudable propositions designed to remedy the situation; but our judgment is that this matter requires a vast and comprehensive plan which shall place at the disposal of the cause of public education the largest financial resources available and the greatest amount of intelligence which can be called into play.

Our specific recommendations are as follows:

> In view of the impossibility of establishing in Mexico a really democratic regime so long as twelve million Mexicans out of slightly over fifteen millions can neither read nor write, the conclusion is forced upon us that the evil of illiteracy constitutes a grave and urgent problem. Accordingly, we denounce the policy set up by the Carranza constitution which rendered almost impossible the utilization of private initiative in popular education and which forbade all

intervention by the federal powers in primary instruction. All energies, those of individuals and private associations no less than those of public authorities, — federal, state and municipal, in their respective jurisdictions, — should be bent to achieve the redemption of the great mass of the Mexican people from the appalling ignorance in which they live, and to make citizens *in fact* of those who have heretofore been so only in name. The federal constitution should, therefore, embody as one of the individual guarantees freedom of teaching, with no other restriction, in so far as may relate to primary instruction, than that it be subject to the curricula of similar public schools and to official supervision, particularly in regard to civic instruction and history.

The same instrument should likewise prescribe the concurrent power of the municipalities, states and federation to establish and maintain primary schools.

The tendency of these schools should be essentially practical, civic and educational. They should aim to form civilized members of the community.

In view of the need of not less than sixty thousand such establishments to make primary education universal and effective, the intervention of the federal government must be necessarily large. Without the resources of the federal government and without the technical elements which it has at its disposition, this urgent and indispensable work cannot be carried into execution. Accordingly, we recommend the restoration of the department of public instruction, which shall be the instrumentality of the federal government in this phase of its labors.

The federal congress should enact whatever legislation is necessary for the exercise of the concurrent power pertaining in this matter to the various authorities, so that conflicts of jurisdiction may be avoided and methods of instruction harmonized, with a view to attain uniform results.

We hold the reorganization of the libraries in the Republic and the creation of popular circulating libraries to be a public need.

VII

ADMINISTRATION OF JUSTICE

WHEN the courts of justice are powerless to safeguard the rights of the individual against the corruption of wealth, the influence of the powerful, and the political interest of the government, society becomes profoundly agitated, a fact which paves the way for angry protests, and for convulsions of reaction.

Nevertheless, every violent surge of emotion against injustice provokes fresh manifestations of injustice. Revolution unleashes the basest passions and raises to power those least ready to submit to the orderly and exacting processes of organized justice. This, in turn, lays the foundation for fresh violent outbursts within an endless cycle of anarchical disorder and ruthless oppression.

The history of Mexico offers one of the most convincing examples of what we have just said. No single factor, then, would more efficaciously aid in the work of pacification essential to a program of general reconstruction, than a policy firmly and honestly aimed at making justice effective; for nothing would so tend to avoid fresh periods of immorality and violence, as the feeling of solidarity created in the minds of the people by the conviction that each of their number is to enjoy full guarantees in the exercise of his fundamental rights.

This subject is too vast to be treated in full here. Our political organization calls for at least two classes of courts of justice, each functioning within its proper sphere. The constitution of the one and of the other has basic defects, the outcome of our backward social development, of tradition and of routine. Their organic laws, although predominantly satisfactory, are, nevertheless, undesirable in many ways. They encourage trickery, blight the judicial sense, and render justice inaccessible to the great majority of Mexicans. From this point of view, we may say that our procedure, and much of our substantive law are based on a social condition which only exists in the case of a small minority of the population, and take no account of the social, economic and intellectual condition of the great mass of the people.

A revolution which, like the "constitutionalist" revolution, pronounced judgment on the past, ought to have taken note of the evils we have just outlined; but it failed to do so lamentably. Profoundly respectful of our traditions and our history, we none the less yearn for an era of progress; but this cannot be achieved through the old structure of our laws. We, therefore, advocate a sweeping revision of our civil and penal statutes and procedure, the aim of which shall be to realize the ideal of social justice: equal opportunities for all.

We denounce as one of the most regrettable defects of our judicial organization the method by which the highest court in the land functions, organized as it is in the manner of a parliamentary body, with a variable quorum. Like every tribunal, the membership of the Federal Supreme Court should be fixed, if its resolutions are to have weight and create real jurisprudence.

Before the Supreme Court there come very year from five to six thousand cases; and this number will steadily increase as our national life becomes more complicated. For the same reason, the nature of the cases tends to become more and more diversified. Hence it is essential that the labors of the Court be divided into sections (*salas*), on the understanding, however, that the full court shall intervene to state the law whenever the decisions of the sections shall conflict.

Several systems for choosing the personnel of the Supreme Court have been tried in Mexico. In the assembly that framed the Querétaro constitution there were ardent champions of the popular election of judges, that is to say, by the outgrowth of political contests. After much labor, this great truth forced its way forward: that the electorate is not qualified to pass upon the legal learning and moral qualities of judges. The vindication of this principle should not be lost, although we must condemn the method of designation established by the Querétaro constitution for certain judicial authorities. It will suffice to cite the lamentable result in personnel which this method of selection has borne, to justify the view that the fitting body for the selection of judges is not Congress, not the Lower House whose every act is inspired in political passion and partisan bias. This system has brought about not alone the designation to the Supreme Bench of persons unworthy of the loftiest judicial rank, but is responsible for the painful spectacle of three Justices who, although distinguishing themselves for learning, independence and integrity during the first part of the Carranza regime,

yet failed to receive the merited honor of reelection, merely because they did not have the necessary political backing.

This illuminating experiment obliges us to condemn the system established by the Querétaro constitution, and to recommend another analogous to those followed in other countries successfully.

And yet, however wise the designation of a judge, the desideratum of a sound administration of justice will not be attained, if he is not made a respectable and responsible free agent: free from the fear of sacrifice if he does not yield to the demands of those in power; free from the menace of poverty-stricken old age, after the best years of his life have been spent on the bench.

We mean that, in the first place, the judicial functionary should be permanent. Permanency is an essential condition of independence, a guarantee of integrity and a basis of public confidence. The judicial official should not be removed except: (1) for wrong-doing established after impeachment and conviction in due course, or (2) through promotion to a higher office.

If our judicature is made a career, in which merit and service are counted upon to reach the highest positions, with compensation in accord with the social status, there may be some hope that the judiciary in Mexico may attract the better type of man. Today he avoids this service, so as not to be exposed to the jeopardy of uncertain employment.

But permanency alone will not suffice to safeguard officials who devote their lives exclusively to the service of the judicature, if they are to be left exposed to accidents, ill-health or abandonment in old age. The law should provide for all these contingencies. It should also establish the rules to make the responsibility of judges effective, correcting their mistakes and punishing their offenses.

Compelled through exigencies of space to limit ourselves to general observations on this important matter, we shall endeavor in the following conclusions to set forth briefly our views on the problem:

> We recognize that one of the evils which most deeply affect Mexico is its vicious administration of justice: vicious because of the technicalities of judicial procedure; because of the spirit of many of our substantive laws which do not recognize the great social inequalities which unfortunately characterize the life of our people; and, lastly, because of the lack of culture and independence of the judges.

We can do no more here than to recommend, in general terms, the early revision of our laws, both those that define rights as well as those that relate to procedure.

Such a revision ought to be inspired in the modern concept of social justice and in the necessity of making the civil courts, today virtually closed to the poor and the outcast, accessible to the largest possible number.

In penal procedure the inhuman practice of solitary confinement (*incomunicación*) ought to be wholly proscribed, as well as every form of compulsion designed to obtaining a confession from the accused. Freedom on bail should be the privilege of every accused, and ought only to be suspended when the offense with which he is charged is punishable with a penalty of ten years imprisonment, or with capital punishment.

When the offense is not punishable with imprisonment or death, the accused should not be detained at any time.

The Federal Supreme Court should funtion in its true character as a tribunal, with fixed membership; and not as a parliamentary body with a variable quorum. Cases coming within its jurisdiction, including those of the constitutional cases of *amparo,* should be distributed among its members arranged in sections (*salas*); but the full bench should assume such responsibilities as may be neces sary to obtain a uniform jurisprudence.

The Justices of the Supreme Court should be chosen by the Senate from lists of three names each, submitted by the President. The resignations of these justices should be passed upon by the Senate. The Circuit and District judges to be chosen by the Supreme Court sitting as a full bench.

The judges of the Superior Courts of the Federal District and Territories should be chosen in the same way as provided for those of the Federal Supreme Court. These Superior Courts to designate the judges under their jurisdiction.

The states should adopt in the designation of local justices and judges a procedure analogous to that outlined above, the former to be designated by the respective legislature on the proposal of three names submitted by the Governor, and the latter by appointment of the Superior Tribunal.

Every judicial functionary ought to hold office indefinitely, and only be suspended or removed as the result of impeachment. The Justices of the Supreme Court should be subject to a special impeachment procedure in the same manner as provided for other high federal officials. The laws on impeachment, admittedly deficient, should be revised, so that judicial responsibility should not be a farce, as it has heretofore been.

The law ought to prescribe the terms under which the judicial functionaries are to be pensioned for old age or disability, and the amount they should receive in such event. The compensation to be paid to judicial functionaries should be sufficiently large to permit them to live with the comfort which their respective positions require.

VIII

RAILROAD POLICY

IT DEVOLVES in great measure upon the Mexican Government to solve the complex problem that our railroads now present, not alone because it is the duty of the State to see that an essential public service, such as transportation, meets the needs of the country and serves as a direct factor of progress, but also because in our case the government has serious contractual obligations toward the railroads, in addition to the responsibilities growing out of the state of war and disorder that has prevailed for the last ten years in Mexico.

Only a general plan of railroad rehabilitation can be undertaken here. In the first place, it is necessary to act on a premise that has heretofore only been partly realized: that the government must be able to protect the lines, property, and rolling stock against destruction. So soon as this result has been achieved, the first step in the program of rehabilitation should consist in returning the management of all lines to their respective companies.

Whatever be the pet theories of economists and sociologists as to the rôle of the State in the handling of public services, — and railroad transportation is one of them,— experience shows that as a general rule State administration of railroads is much inferior to that of private initiative. An example of this is afforded by the American railroads during the period when, because of the exigencies of war, the government took charge of the transportation system of the United States. The failure of this experiment in governmental administration cannot be more eloquent. As is only natural, the Mexican government has experienced an even greater failure, attributable not only to the deficiences charasteristic of every bureaucratic organization when it acts as an industrial unit, and natural enough under the peculiar conditions of disorder obtaining in Mexico, but also to the lack of integrity of high railroad officials and to the abuses and usurpations of government functionaries and of military chiefs in active command of troops. Corruption has filtered through all ranks; the railroads have been a source of immoral

speculation and illicit personal profit. Generals and other favorites secure, or used to secure, traffic concessions even in the shameless form of rebates on rates paid by the public. In a word, it may be said that the railroads of Mexico considered as a branch of public administration are, next to the army and the courts, the most corrupt and inefficient official organization.

In any re-organization of the railroad system known as the "National Railways of Mexico", in which the Mexican Government is a stockholder, the interests of other shareholders, representing approximately fifty per cent of the stock, must be taken into account. Still less will it be possible to ignore the bond and security holders, who rely on the guarantee of several mortgages on the lines and their appurtenances.

These creditors are entitled to substantial claims, through the failure to pay interest for seven years or more and through the diminution of the guarantee, because of the lamentable deterioration of the properties subject thereto. The Mexican Government is liable for all, or almost all, these claims, because, in the first place, it has been directly operating the lines and enjoying the proceeds therefrom; and in the second place, because under former contracts it bound itself to guarantee the capital of the so-called general mortgage, which may be considered due and payable, and which, without counting large unpaid interests, reaches the aggregate of 320,000,000 pesos (160,000,000 dollars).

It is idle to assume that with such a burden of obligations and in view of the enormous deterioration of lines and appurtenances, the Mexican Government,— however honest and competent we may assume it to be,— can restore our system of National Lines, so that it can fulfill its mission. Furthermore, it is probable that the day when order is definitely restored, the government will be called upon to meet the claims of mortgage creditors, who have relied upon their contracts and who will demand as a condition precedent at least the delivery of the lines, so as to prevent their further exploitation with the total abandonment of the financial obligations for which they are liable. This may entail the loss of ownership of the railroads for the company owning them, and consequently the complete cancellation of the shares which the government possesses in the company.

We should in all fairness say that, however much the public may believe that the interest acquired in the National Railways

by the Diaz administration should be conserved, it is impossible not to acknowledge the fact that this interest involves the assumption of obligations which the country is in no position to carry, and which was to a large degree the price of acquisition. The sacrifice, therefore, of the shares representing this interest would be of small moment, if in exchange the government could successfully release itself from some of the onerous guarantees it has assumed. Such a sacrifice would, furthermore, be merely temporary, for the fact should not be lost sight of that these railroads are subject to the right of reversion after a certain number of years, and that, therefore, irrespective of the settlement now made with the creditors, the lines and their appurtenances will all, sooner or later, pass into the full ownership of the Mexican Government, free of encumbrances. The shares acquired by the Diaz administration merely represent, therefore, a right of transitory duration.

Consequently, we are of the opinion that the Mexican Government should enter into arrangements with the shareholders and bondholders upon the general terms to be set forth in the conclusions of this chapter, or on other terms that may be acceptable, without sacrificing the honor of the government and without abridgment of the legitimate right which the government has to intervene in matters of railroad transportation, in accordance with sound principles of political economy, as prescribed in the railroad law and stipulated in the franchises.

It is also to be borne in mind that, whatever solution may be reached, the government will retain the right to take over, in whole or in part, the administration of the railroads of Mexico, whenever required by the maintenance of order or by the military defense of the country.

In the matter of general policy, we believe that the government should promote the construction of more railroads feeding the large trunk lines, and the construction of other lines establishing contact between important portions of Mexico now somewhat isolated because of a lack of railroads.

We hold the view that the Mexican Government should adopt at this time a railroad policy based on the following considerations:

> The Mexican Government should return to their owners, at the earliest possible moment, the railroad lines and their appurtenances that it has seized, and negotiate the necessary arrangement for the payment, in instalments, of responsibilities directly growing out of the

seizure and destruction of fixtures and rolling-stock, in so far as these responsibilities may be legally imputable to the government. With regard to the lines comprising the National Railways system, the government should, furthermore, bring about the reorganization of the company, granting the bond-holders a direct participation therein, even though it be at the cost of the temporary or permanent sacrifice of the stock which the government represents in the company. This, however, should only be done in exchange for substantial advantages, among them that of the release of the Nation in the future from the guarantees securing the payment of mortgages whether by way of principal or interest. As to liabilities already incurred through existing guarantees, we believe that the government should procure their liquidation, as far as possible, in exchange for the extension of the duration of the franchises, but maintaining, at all costs, the principle of reversion in the favor of the Nation, as provided in the Railroad Law, and the governmental privilege of free postal transportation.

No pains should be spared to build railroads connecting the peninsulas of Yucatan and Lower California with the railroad systems of the country. So, too, a survey should be undertaken of the feeders of the trunk lines, the construction of which shall serve to develop those sections of the Republic better susceptible to growth, because of conditions of population and nature of products. On the completion of these surveys, the building of such tributary lines should be subsidized or otherwise encouraged.

Because of the strategic and political importance of the Tehuantepec Railroad, the Nation should retain the ownership of this line; but its operation might be contracted for, during a limited period, with some private enterprise, either in the form of a partnership or in any other form deemed advantageous.

The Commission On the Regulation Of Rates should be reestablished, but so reorganized as to be not merely an advisory board, but empowered to approve rates and even enforce them, basing its action on the interests of the companies and of the public.

Inasmuch as the Mexican railroad personnel has given proof of its efficiency, all railroad companies operating in Mexico should be required to have not less than ninety per-cent of their employees respectively recruited from among Mexican railroad men.

IX

NATIONAL ARMY

A DISCUSSION as to whether the dissolution of the Federal Army carried out by the Carranza revolution was or was not a wise measure is out of place here. The fact is that the old military organization of the country has disappeared and that the revolutionary forces, which have taken its place, are far from deserving the title of "National Army". The lack of military and civil training of almost all their officers, the notorious immorality of certain of them, and the lack of discipline of the rank and file force upon us the painful conclusion that Mexico has not an army that can be trusted to uphold our institutions, and defend the integrity of the republic.

The government emanating from the revolution closed the Military College of Chapultepec (deserving respect for its glorious traditions if for nothing else), and substituted for it an elementary school which can train only officers of a very inferior type. At the beginning of the present year, the old College was reopened, and certain officers of the extinct Federal Army included among its teaching staff. But the curriculum adopted is so deficient that many years must elapse before the officers trained under these new conditions can attain the intellectual development which the military career demands today. Again, the systematic exclusion of almost all officers of the old regular army deprives the new army of the valuable services, — for which, during many years, a substitute cannot be found, — of officers familiar with the art of war, who have devoted the best years of their life to the career of the soldier.

Everything is still to be done in this field; but it would be unwise to recommend that the army be reconstituted along the old lines, the defects of which we all readily admit. A detailed examination of the subject is, however, not feasible here. We shall confine ourselves to a presentation of the principles which should form the basis of the organization of a truly *national* army, namely, that it is the duty of *every* citizen to defend the republic and uphold its institutions. Accordingly, every Mexican physically fit to bear arms should form part of the army. In

other words, military service should be universal and compulsory.

Armies in Mexico cannot be formed of volunteers, except in times of rebellion when serving revolutionary factions. By the side of those who in good faith fight for a principle, are to be found bandits, outcasts, and adventurers of every class and condition. It is almost a superhuman task to convert these hordes into a disciplined and regularly constituted army. The different governments are accordingly bound to resort to arbitrary recruiting (*leva*), more or less disguised by the name of compulsory service; and so the ranks are swelled by drunkards, thieves and vagrants, to say nothing of scores of unfortunates who are the victims of the caprice of those in authority. The collapse, therefore, of the regular army whenever the country has passed through a crisis is not surprising; while the corps of officers, among whom there have been many honorable and cultured men, have been powerless to prevent the disaster.

An army formed of men who are fulfilling a patriotic duty, not of men forced into service, who are only held together by the rigor of stern discipline, will be the best guarantee of peace and the stability of governments. This cannot be achieved with the armies we now have. Our history proves,— and recent events have merely confirmed it, — that governments in Mexico fall more readily at the hands of their own soldiers than by the onrush of revolution; and from this point of view it seems needless to emphasize the importance of establishing a method of recruiting which shall put an end to the tyrannical dictation of the military caste over the civilian population.

Many persons will surely think it impossible to organize an army in which men of education and of habits so diverse as are to be observed among our so-called social classes must live in the intimacy of military service. This objection, however, far from being a serious reason for abandoning the only system of forming an army such as we propose, may be minimized by various methods, into the details of which we cannot enter here.

Regional recruiting, the establishment of a system of volunteer service of six months or one year for young men who by reason of their training and culture are better qualified than the artisan and the *peón,* and other special arrangements, will serve to diminish the disadvantages previously outlined, and to overcome the repugnance of class, so detrimental to the consolidation of a democracy. Universal service will be the most

efficacious means of reducing to a common level those inequalities that are incompatible with a regime of political liberty.

Military instruction should be resumed with a curriculum so disposed as to form permanent officers out of the young men desiring to enter the career of arms. There should likewise be instituted a body, which we have never had in Mexico, namely, a General Staff with powers similar to those of the General Staff of the principal foreign armies. Again, there should be organized a corps of military administration which shall eliminate from our armies the women camp followers (*soldaderas*) who, in addition to their disadvantages, and the lamentable backwardness they reveal, make us the butt of all writers on this subject. The Secretary of War should be a political appointee with purely administrative duties and not the supreme head of the army, as he has always been in Mexico.

If we can succeed in forming an army along the lines thus roughly outlined, pretorian armies will cease to exist; and not only a work of incalculable political significance will have been achieved, but a real task of civilization will also have been accomplished. The illiterate youth periodically entering the service will leave it not only having gained the rudiments of culture, but also well disciplined, with an understanding of what is meant by dignity and civic duties. They will be vigorous in body, thanks likewise to the strenous military life. The barracks will cease to be what it is today, a place of confinement wherein the soldier consumes his soul in despair and his body in vice, but a school of reform, a nursery of citizens and patriots. To this end the traditional type of Mexican barracks should be abandoned and gradually replaced by military cantonments outside of large towns.

There will always be volunteer soldiers, enlisted for long terms, from whom may be drawn the non-commissioned personnel. These, together with the officers, will form the skeleton for the training of the groups of recruits periodically renewed. There should, likewise, be a roster of professional officers; but the bulk of the army should be drawn from all classes.

What we have said of the army is applicable, in principle, to the navy. Recruiting for this branch of the service should be among the sea-faring element in our population; and in addition to the active personnel, there should be reserves. The organization and curriculum of the Naval School should be adapted to the needs of the country.

Still another problem is to be solved in the reorganization of our army. There are many generals and officers of the old Federal Army, of the Carranza troops, of the "Convention" forces, of the Zapatistas and several other factions, many of whom would like to belong to the army. It is not advisable to ignore these men. In any program of reconstruction, all available material must be used. Our recommendations on this topic will show how we regard this matter.

In a word, the army cannot fulfill its high purpose until it is purged of the vices that have allowed it to become an instrument of ambitious pretorians and to act as a political group making and destroying governments, in disregard of military honor and the institutions of the country.

It is, of course, to be understood that the following recommendations are to be given effect with due regard to the financial resources of the country:

The national army ought to be composed of active and reserve forces, the former consisting of men between eighteen and twenty years of age, in such numbers and for such terms of service as the law may determine; the reserve forces consisting of citizens who have seen active service.

The Military College, the Naval School, and such other institutions of military training as may be needed, ought to be reorganized or established, as our resources permit and our national needs require. Young men desiring to follow the career of arms ought to enter these establishments and graduate as officers of the respective branches of the service. Young men following civil careers or having certain civil training might remain in active service only such time as is strictly necessary to acquire the technical knowledge to enter the branch of the service in which they have been trained as reserve officers.

Non-commissioned officers shall be chosen from among those persons who have voluntarily enlisted for long terms.

A General Staff shall be organized, as also a corps of military administration. The duties of the Secretary of War shall be solely politico-administrative.

An effort should be made to substitute the barracks for military cantonments outside of populated centers, and the service so organized as to promote the moral and intellectual advancement and the physical development of the young men, and to be, at the same time, a school of civics and love of country.

The following rules shall be observed in determining the petitions for admission into the army filed by those who have obtained rank in the forces of the various revolutionary factions or in the former federal army:

A — All ranks from colonel upward that have been ratified by a legal or de facto Senate to be recognized;

B — Ranks inferior to that of colonel that have been conferred by any government which shall have functioned in the Republic, either in law or in fact, to be likewise recognized;

C — Persons holding military ranks not comprised within either of the foregoing classes are to file petitions before courts of honor composed of persons of recognized integrity and efficiency named by the Government.

These courts shall render their decisions as their consciences may dictate, without taking into account considerations of a technical order, but rather weighing the moral qualities of the applicant, the good faith with which he defended the cause he embraced, and the practical ability he demonstrated while in service.

X

LABOR LEGISLATION

ANYONE not acquainted with the history of the labor problem in Mexico will be surprised at the importance ascribed to it in a country which has not yet reached the industrial stage, and where the laboring element in the technical sense does not amount to two per cent of the total population. This phenomenon presents its most striking manifestation in the fact that the constitution itself contains a series of labor provisions embodying some of the most advanced theories of modern socialism. All these measures, we repeat, are for the benefit of a slender minority which, without effort or sacrifice, has won victories, some of which have not yet been achieved by the working classes of highly industrialized countries, after more than half a century of constant effort.

The true social problem of Mexico is not that of our 250,000 or 300,000 industrial workers, but that of the millions of our agricultural laborers. Failing to realize that the workers who directly produce the necessaries of life for our population, — and who are the most neglected, — should receive special consideration, the legislators of Querétaro favored the industrial class, granting them privileges which often serve as an incentive to destructive agitation. On the other hand, little or nothing practical did they accomplish for the former; and although the constitutional text ordains that all provisions on this topic should apply to all forms of labor, it is axiomatic that the problems of agricultural labor differ widely from those of the industrial worker. The latter, and only the latter, appears to have deserved the attention of the framers of the much-vaunted constitution, who gave preferential consideration to a restricted problem of small relative importance, rather than to a tremendous problem of a general nature.

And yet this attitude may be explained. The Querétaro convention was not, either in origin or in personnel, a body representing the Mexican people, while the low standard of intellectuality of the great majority of its members made it possible for a handful of labor agitators and academicians to impose

their will, and to embody in the constitution their favorite theories, some of which the Mexican working-man had not even dreamed of securing.

Having won this spurious victory, the apostles of socialism undertook an effective campaign of propaganda and organization among the working classes, and as a result, have produced the intense activity of the diminutive Mexican industrial world.

The foregoing remarks should not be construed as a condemnation of the legitimate achievements won for the workers, even though they are due to the artificial situation above described. On the contrary, we believe that certain of the principles thus won are only in compliance with the imperative demands of social justice, and that it is important that they should not be lost through the natural reaction they awaken among the capitalistic classes. We shall proceed to make a rapid examination of the labor provisions, in order to present our conclusions.

Article 5 of the Querétaro constitution wisely extended the constitutional guarantee of freedom of contract to work contained in Article 5 of the constitution of 1857. We have only one objection to raise to the new text. We refer to the prohibition of temporary surrender of the right to exercise a certain profession, or engage in a branch of industry or commerce. Under this inhibition, no one having peculiar qualifications can bind himself for a fixed time to devote his skill to a definite industry. The theatre manager or the manufacturer who contract for a certain period the services of an actor or chemist cannot, under this article, prevent the actor or the chemist from serving a competitor. This is manifestly contrary to reason and to equity, and is, furthermore, in conflict with accepted practices.

With this absurd restriction eliminated, we do not hesitate to recommend the incorporation of Article 5 of the constitution of 1917 into that of 1857.

The other provisions of the constitution of Querétaro relating especially to labor are to be found in Article 123. Not a single one of them should rationally appear in the political constitution of the Republic. The very beneficiaries of the precepts may be prejudiced by the difficulty in amending them, should experience warrant amendment. A constitutional text can only be changed after complying with numerous requisites, not always easy to satisfy.

Again, inasmuch as a great deal of this labor legislation

is an experiment, subject to changes flowing from conditions of climate, habits of the people, class of industries, and several other factors, the most reasonable and expedient step, — and in fact the only step in harmony with our political system, — would have been for each State to enact its own labor legislation in consonance with the stage of its industrial development, without being compelled to follow the insuperable restrictions of a constitutional text.

We do not hesitate, then, to say that the inclusion in the political constitution of Mexico of the series of principles contained in Article 123 of the constitution of Querétaro is legally absurd, and contrary to the very social interest sought to be benefited.

For this reason, and for the sake of brevity, we shall omit a detailed analysis of Article 123. We have already stated that some of its precepts are laudable, and that others are either anti-economic or unjust. Still others we hold to be merely ludricrous,— such as that providing that working women may nurse their children for two periods of onehalf hour each during the working day,— or immoral, as that granting exceptional privileges to working women by reason of maternity, without distinguishing between those that are married and those that are not, thereby promoting illicit unions and a relaxation of morals in shop or factory.

In the conclusions which follow we shall set forth the principles which, in our judgment, should more urgently be taken into account by the Federal Congress and State legislatures, within their respective jurisdictions, in the enactment of laws governing the relations between capital and labor:

In labor legislation the constitution should confine itself to establishing as a right of man freedom in the exercise of all lawful activities, without other limitations than those required by the public interest. We recommend the definitive adoption of the text of Article 5 of the constitution of Querétaro which assures this fundamental right, except in so far as this text encroaches upon the liberty of renouncing, by agreement and for a limited period, the exercise of a certain profession, industry, or trade.

In view of the conditions peculiar to industrial labor, we believe that the provisions relating to this class of work should not be the subject of scattered precepts of the civil code, but should be incorporated into special legislation. In no event, should these provisions form part of the Federal or State constitutions.

We recognize that the working classes should be guaranteed in the exercise of lawful means of defending their collective interests,

among such being peaceful strike, the organization into unions and syndicates, and the right to deal with capital through authorized labor representatives. On the other hand, the law will have to recognize the correlative right of employers to engage workmen not affiliated with unions or syndicates, and at any time to suspend operations, provided this is not done maliciously or in violation of labor contracts.

The law should not recognize the right to strike in enterprises of a public service character or in governmental employment. Acceptance of work in these classes of labor involves the relinquishment of the right to strike. The laws should in these cases prescribe strict regulations to govern the suspension of work, as a protection to the rights of the working man.

We believe it necessary that the law should establish especial boards of conciliations charged with preventing, and where necessary, settling conflicts between capital and labor; but we do not recommend compulsory arbitration except in cases where the worker does not possess the right of strike.

The principle of the eight hour day contained in the Querétaro constitution should be incorporated in all labor legislation.

We likewise advocate the complete suppresion of the "company store" (*tienda de raya*), and the prohibition of the payment of wages in any other medium than cash. We demand the enactment of provisions effectively to combat the vices which are the scourge of our working classes, such as gambling and alcoholism, and to protect children and women from excessive labor, as well as from work incompatible with age and sex; to impose upon employers the obligation to maintain in factories and workmen's dwellings the most hygienic conditions possible; to make compulsory the establishment of life and health insurance; and, lastly, to promote habits of thrift through the creation of saving banks, cooperative stores and other similar organizations.

XI

RESPONSIBILITIES GROWING OUT OF DISORDERS IN MEXICO

WELL RECOGNIZED principles of international law clearly define under what conditions a country which has been the theatre of domestic disorder is bound in law to compensate the citizens of other countries for damages incurred by them in their person or property. The Mexican Government must abide by these principles of law, into a discussion of which it is not possible to enter here. It may not attempt withal to avoid its unquestionable responsibility nor evade legitimate claims made upon it.

The Carranza government adopted a false and untenable position in this regard, creating a species of administrative court before which all claims were to be filed. Nevertheless, it granted to claimants the right to demand a review of rulings of this board by a commission of which one member would be designated by the diplomatic representative accredited in Mexico by the claimant's government.

With regard to the claims of nationals, it provided that the decisions of the Court of Claims would be subject to review in the regular course of business by the President of the Republic, on whose supreme and personal decision would depend the final disposition of the claim.

It should be noted that none of the above provisions were legislative enactments, but proceeded from President Carranza under the use of dictatorial "legislative" powers which he assumed had been conferred on him by Congress.

As was to be expected, the citizens of certain countries, particularly of the so-called Great Powers, refused to submit to the procedure above described; and their attitude was approved, if not suggested, by their respective governments. It is futile to argue that Mexico can ever declare estopped from seeking relief otherwise those persons who refuse to resort to the procedure prescribed by the Carranza government. Such a declaration would be wholly nugatory. Foreign governments will prosecute through diplomatic channels the claims of their

citizens, and the Mexican government will sooner or later have to admit that it is neither proper nor possible to decline to fulfill international obligations or to refuse to adopt procedure sanctioned by the practice of nations, including Mexico herself.

Mexico has not once but on several occasions accepted the establishment of special boards, known by the name of Mixed Commissions, created by diplomatic conventions executed with the governments of the respective claimants. These mixed commissions act as judicial bodies, and their decisions are final, both for the governments creating them as well as for the individuals who file their claims before such special bodies. This precedent is binding on us; and no reason can be adduced why we should not submit to what is a universal practice and what has been authorized by former Mexican governments of unquestionable patriotism and respectability.

It is meet that the claims of our own citizens should be submitted for examination and liquidation to special procedure provided by law, not by the whim of the Executive; but the Mexican Government lacks the means whereby to compel foreign governments to abandon, with regard to their citizens, the system that has been applied in analogous situations.

We are not unaware of the fact that the circumstances of the present case present peculiarities which will influence the organization and operation of the claims commissions. In the first place, the question is one not of the claims of citizens of a single country, but of those of numerous foreigners of various nationalities. It will likewise influence greatly the aspect of this problem if we consider the attitudes that have been assumed by the different governments of the world, to which the claimants belong, with regard to the internal affairs of Mexico. This attitude must be carefully weighed in order to determine how far, in certain cases, the principle of the responsibility of the Mexican people for damages growing out of situations created by one or more of these governments can be accepted as the standard. Lastly, it cannot be denied that Mexico has the right, in turn, under well recognized principles of international law, to formulate claims against foreign governments, either directly or on behalf of its nationals, or to request certain foreign governments to become parties to certain claims against Mexico, so that they may be heard in the controversy and abide by its results. These complications arising out of extraordinary circumstances, well known to all, will make the

international conventions setting up the mixed commissions and their rules of procedure particularly laborious. However complicated these conventions may be, reliance must be placed on the spirit of justice of the interested governments and on the efficiency of our Department of Foreign Affairs, so that a formula may be found at one and the same time safeguarding the dignity of Mexico and protecting the legitimate interests of other nations and of their citizens.

We do not deem it desirable to enter into further details on this matter, in view of the international aspect involved, affecting as it does not only pecuniary interests, but the sensibilities and susceptibilities of various governments, including our own. We confine ourselves, therefore, to the formulation of the general principles which must govern the disposition of this subject.

We recognize that, as the result of the disorder in our country during the last ten years, the Mexican people have incurred certain pecuniary responsibilities. We must not evade the payment of these responsibilities, provided they conform to the principles of international law and to our own internal legislation.

The Federal Congress should enact a law setting forth the conditions under which claims of nationals are to be examined and liquidated. To this end, we recommend the creating of a Liquidation Commission, to which it will be compulsory to present all claims for damages, it being understood, however, that the decisions of the commission may be taken to the federal courts, in accordance with procedure prescribed by law.

If foreign claimants voluntarily submit to the procedure outlined above, it will be understood that they thereby waive all right to file their claims before the mixed commissions to which reference will be made hereafter.

Our Department of Foreign Affairs should open negotiations with foreign governments whose citizens hold claims against the Mexican Government, according to the information now in the possession of the department. The main purpose of these negotiations ought to be to establish international tribunals or mixed commissions, — formed by representatives of the Mexican Government and of the interested foreign governments, — to determine by judicial procedure the validity and amount of each claim.

An effort is to be made to extend the jurisdiction of these commissions to the claims formulated by Mexican citizens or the Mexican Government, arising out of acts of foreign governments or authorities relating to the political situation of Mexico in the last ten years.

In determining the validity of these claims, the mixed commissions must take into account not only the general principles and precedents of international law, but the special principles and

precedents of each of the claimant countries, whenever it shall have invoked them in analogous cases by way of defense.

Payment of claims against Mexico is to be satisfied by the type of security and under the conditions to which the claimant government shall have previously given its assent. The claims of Mexican citizens might well be paid in bonds of a special issue.

The Government may enter into private arrangements with public utility corporations in connection with the payment of damages for the seizure of their properties or for injuries caused thereto. It ought likewise to enter into agreement with the former banks of issue, as suggested in another chapter.

XII

PUBLIC HEALTH

NO PROGRAM for the rehabilitation of Mexico would be complete without reference to the problem of public health. In order to visualize its magnitude it will be enough to say that the mortality of children under one year of age exceeds forty per cent, and that in the very capital of the Republic, its great centre of wealth and culture, the mortality rate reaches forty-two per thousand, a figure not equalled by the most unhealthy cities in the world.

It would be a vain delusion to imagine that these conditions can be radically modified through governmental action exclusively. The first reason for our high mortality lies in the squalor in which the great mass of our people live. So long, then, as the economic situation of this majority is not materially changed, little can be done to diminish the high mortality rate. And yet, however small the effectiveness of official action, it must not be withheld nor fail to be exerted to the fullest extent, if we are to save the lives of so many human beings who under other conditions might live in normal comfort.

In addition to the fact of its sparse population, Mexico receives no considerable influx of immigrants, who have contributed toward the greatness of other nations of the American continent. For this reason, our country to an even greater degree than other nations, has to conserve its human energies. Therefore, we see the importance of social action in the most active form possible in the field of public and private hygiene.

Mexico has sound laws on this subject. The Sanitary Code of the Federal District and Territories is in large part an excellent codification fully in keeping with modern thought. The difficulty lies in its proper enforcement, because of the lack of pecuniary resources,— which are always niggardly appropriated for such services, — and because, moreover, the great mass of the people are wholly ignorant of the most elementary rules of hygiene, and resist their enforcement in every way.

One of the chief causes of our appalling mortality — which has been termed by an eminent Mexican hygienist a shame and

a blot on our civilization,— is the enormous frequency of gastro-intestinal diseases, due mainly to the poor quality and even inferior preparation of foods. The government can contribute to reduce this cause of mortality, through the inspection of supplies, the supervision of markets, and the teaching of hygiene in and outside the schools.

The condition of the dwellings in which a majority of the Mexican people live contributes to the high mortality rate. We appreciate the practical difficulties of enforcing the laws already on the statute books in this respect; but the matter is of such importance that we cannot fail to refer to it.

It should be observed, furthermore, that few of our cities are equipped with water reservoirs, and with city and house drainage, such as is required by the principles of modern science. There is probably not a single pavement in the republic which does not show defects prejudicial to health.

The public hospital service cannot be in a more deplorable state. These and other deficiencies have been increased as the natural result of our domestic disorders and particularly because the Carranza administration disorganized and corrupted existing branches of the service.

Lastly alcoholism, and especially the harmful character of some of the intoxicating beverages so freely used by our masses, comprise another important factor in the high mortality rate and in the degeneration of the race.

Even had we the necessary technical knowledge to formulate specific recommendations on this topic, we should not attempt their discussion. Questions of hygiene and public health are to be settled according to scientific principles and not with reference to the exigencies of political expediency. If we have alluded to these matters, it has been only to call attention to the imperative requirement that the State deal with this national problem, displaying greater intelligence and vigor than heretofore.

The problem of public health offers another aspect which cannot be overlooked, since the main and dominant aim of any constructive program must rest, as we said in our preamble, on assuring to the people adequate nourishment. In considering the agricultural problem of Mexico, we refer to extensive tracts which because of their great fertility ought to draw a large number of farmers. We also dwell upon their contribution in an important extent toward the production of the staple foods necessary for domestic consumption. In this statement we allude to the

regions of our torrid zone, which are so unhealthy that not even the natives escape the scourge of endemic diseases. It is not to be wondered at, therefore, that the density of population in these zones should be so small and that their yield of crops is in no way proportionate to their fertility, or much less, to the extent of arable land.

Improved sanitary conditions in these important portions of Mexican territory, the fight against insects that transmit deadly germs, the construction of drainage works, and instruction of the inhabitants of those sections as to the advantage of complying with certain well-tried rules of hygiene, — these policies would tend to transform the regions in question, and, in large measure, solve the problem of an adequate food supply.

As a mere first step in this direction and for the other purposes which in this regard pertain to the State in a program of social action, we submit the following conclusion:

> An executive department should be created to be known as the Department of Public Health and Charities, which shall be the agent of the federal government in carrying out an energetic and active campaign on behalf of public sanitation.

XIII

DEVELOPMENT OF OUR NATURAL RESOURCES

THE NATURAL resources of Mexico, which have earned for us the reputation of being one of the richest countries in the world, do not amount to more than *potential* wealth which we Mexicans cannot develop to any appreciable extent, if we rely solely on our own efforts. In order that these resources may be so utilized as to become a factor in the economic world situation, we need extensive amounts of capital which Mexico lacks, as well as technically trained men whom we are only now beginning to form. We must recognize, in view of the unbroken experience of the last forty years, that it is to foreign cooperation that we owe these two indispensable factors. We shall continue to need this cooperation for many years to come, if we are not to lag behind other nations of the American continent with natural wealth comparable to ours.

Furthermore, we can neither shun certain duties of human solidarity imposed upon us by our world position, nor seek to evade the action of certain economic laws, as inexorable in their effects as are the laws of nature. Were it nothing more than to serve our selfish advantage, we ought to satisfy the requirements of other nations, so far as our resources will allow and the demands of world industry and trade require.

Mexico has already begun to play a rôle of primary importance in this regard. The fibre known as sisal (*henequén*) used in agriculture, is almost indispensable in world wheat production. Our mines of silver, gold, copper, lead, zinc and those of the other industrial metals, give Mexico an important place among mining countries, and probably the primacy so far as silver is concerned. Lastly, the wealth of our recently discovered oil lands has been a factor in bringing about an evolution, almost an industrial revolution, because of the new applications of petroleum and its derivatives.

What part is the State called upon to play in the face of these phenomena? It is our conviction that the first premise of a sound policy in the matter of our mineral production is that of placing no obstacles in the way of free action on the part of

private initiative in the development of these sources of wealth. Indeed, the great progress achieved by Mexico in this field during the last generation was due to private initiative, which did not encounter any obstacle created by public authority. Contrary to the statements made by persons ill-informed, the administration of General Díaz merely afforded the mining, smelter and oil industries strong moral support, in reality less than that given to other industries, such as the textile industry, which flourished by tariff protection. The exemptions from future or contingent taxation and from import duties on machinery and equipment designed for development work, such as were commonly granted to smelters and companies engaged in the oil industry, constituted an insignificant manifestation of liberality when compared with the benefits that these companies conferred upon the country and the public treasury. The chief companies to whose efforts our great production of oil is due operate lands which have not been the object of any concession from the State.

Nevertheless, it is our judgment that not even the above form of official protection should in the future be given to these industries, which are now firmly rooted in Mexico. This protection, more than an aid, was a kind of stimulation that is now wholly unnecessary. This is confirmed by the manifest fact that these industries have prospered through the natural action of economic forces, despite the fact that the Carranza administration substitued the policy of extortion for that of encouragement. We are naturally far from recommending the former policy; but it has at least served to demonstrate that when a field of productive activity is once incorporated into the complicated economic structure of the world, it grows and prospers, even in the face of artificial obstacles of a policy unfriendly to the free display of private initiative.

The first condition, then, which the policy of the government should satisfy in this regard is that of affording full guarantees to private initiative, free from special protection or favoritism. Again, it is our conviction that as to those resources which are the natural product of the Mexican territory and which, when once extracted, can not again yield their product, the government, for the good of the nation, ought to participate *directly* in the profits derived from their extraction. It is our judgment that the fairest method of assuring this participation is to levy special taxes, proportional and equitable, to use the

language of the constitution, computed on the prices prevailing either at the place where the products are obtained or at the port of shipment.

While condemning the principle of intrusion established by the Carranza administration under Article 27 of the constitution of Querétaro, we recognize as inherent in the State the power and duty of seeing that our natural resources are not wasted and that they are applied as far as possible to promote our domestic economic development.

Intervention by the State is indispensable in certain lines, in order to prevent unnecessary waste, which is criminal if the needs of future generations and the economic and political advancement of Mexico are to be taken into account.

No one may properly deny that rights acquired under pre-existing laws should be recognized by the State no less than by the individual; but this principle must be made to accord with that of the exercise of the police power of the State, which increases in scope as the phenomena of life become more and more complicated. The constitution of Querétaro, distorting this principle, violates private rights and establishes the absolute predominance of the State at their expense. Confining our views solely to the question of petroleum, which has given rise to a complex problem, domestic and international in character, we affirm that the nationalization of this source of wealth, to the disregard of rights defined by laws of unquestionable validity, is a measure which not only violates the rights of the individual, but also is of no benefit to the community, as we shall fully demonstrate.

The only reason that might possibly be invoked to justify the nationalization of petroleum deposits is the necessity of preventing their early exhaustion; and indeed Article 27 of the Querétaro constitution implies the action of the State as the means of conserving this national wealth. This is the true national interest. Nevertheless, the administrations that have exercised power in Mexico under the last-mentioned constitution have not hesitated to place oil deposits on the same plane as metaliferous bodies, whose legal status has been defined by century-old laws. However, inasmuch as these laws were not inspired by the motive of conserving the mineral deposits, but rather permit their development without let or hindrance, the conclusion is forced upon us that the enactments now in force in Mexico concerning the development of petroleum are devoid

of serious economic purpose, and have no practical value from the point of view of national interest.

Much has been made of the argument that the oil development benefits only the foreigner; and a new motive is afforded for the scheme of nationalization on the assumption that it will serve to prevent this result. We do not believe that the theory that the development of petroleum benefits only the foreigner can be honestly sustained. The country also obtains certain advantages, either indirectly through the payment of wages, the technical training of our workmen, the erection of permanent improvements, and the increase in the general volume of trade, or directly through the payment of substantial taxes into the treasury, and of large rentals and royalties to Mexican landowners. Be this as it may; we must recognize that this wealth lay for years and centuries at the exclusive disposition of the inhabitants of Mexico and that they did not turn it to account, in fact did not even discover it. It is small wonder, then, that the discoverers, those who with their capital and their energy brought about its development, should demand the chief share of the profits of what we failed to make any use by our own efforts.

In Mexico, mining, to the legal status of which it is sought to bring petroleum, is almost exclusively in the hands of foreigners. This should have convinced the Carranza administration of the impossibility of conserving the oil fields in the hands of Mexicans and for the chief benefit of the Mexican people by merely making them subject to the provisions of the mining law. Furthermore, it is public and notorious that the concessions for the development of petroleum granted by the last two governments to Mexican citizens, — some of them persons high in administration circles, — have merely been peddled by the concessionaires among foreign companies, thereby discrediting the "nationalist" theory invoked as a justification for the policy adopted.

It is distressing to be forced to admit that if the production of petroleum has not had its full utilization in Mexico, it is because of the state of revolt and attendant insecurity that has prevailed for the last ten years. Under these conditions, pipelines to carry the oil to our large industrial centres and cities have not been laid; for the same reason, but few of our towns have asphalt pavements, while highways are to a large extent impassible. To the same cause, too, may be ascribed the lack in our

towns of gas works which constitute an elementary and indispensable service in cities elsewhere, either by the use of natural gas from oil wells, — now going to waste in a shameful manner in Mexico, — or of manufactured gas. Our now almost depleted woods are being wasted, with the consequent ruin of our arable lands, in order to supply charcoal for domestic fuel, when every town of importance in Mexico ought to have gas service cheaper, better and more hygienic than our primitive and traditional charcoal fuel. Not even Tampico, the heart of the oil industry, makes use of this fuel gas, for in that city, — paradoxical as it may seem, — fuel for domestic purposes costs more than in almost any other town in the Republic. Lastly, in order not to make this enumeration interminable, our agricultural system might have been transformed by the use of certain petroleum derivatives in the operation of pumps, — which by thousands might be irrigating lands that now lie fallow, — had not revolutionists and bandits become the daily scourge of all persons living outside of towns.

Under the conditions here described Mexican petroleum will increase steadily in production and will seek foreign markets. This result will be due in no small measure to the methods devised by the Carranza administration, which the present Government continues to apply with as much fervor as candor.

A sound petroleum policy should, in our judgment, satisfy these conditions: respect, in the first place, for rights legally acquired and interests legitimately created, thus vindicating the fair name of Mexico, which after recognizing in its statutes that petroleum belongs to the owner of the soil cannot overturn this principle without sacrificing its honor and exposing itself to international conflicts; attention to our domestic needs, while not disregarding the demands of world trade; and consideration and provision, as far as possible, for the future economic and political requirements of Mexico.

We are bound to say at this point, not by way of censure but merely in order to record the fact, that neither the Carranza administration nor its successor has been able to give evidence of comprehending any of these indispensable requirements. They have violated the private rights of the owner of the land; they have taken no pains to see that petroleum wealth be used in Mexico in its varied manifestations and thus become a direct and active factor in its progress; still less have they borne in

mind that the petroleum will be exhausted in proportion as its extraction is intensified.

It is this latter aspect of the problem which directly demands governmental action. As to the other aspects, the first merely calls for a negative attitude, — a respect for private rights, — while the second makes necessary a government which will maintain order, and observe an administrative policy of strict integrity, thus stimulating the spirit of enterprise among the inhabitants of the country.

Free from hostility toward the large industrial and commercial nations that are using Mexican petroleum in ever-increasing quantities in their factories and vessels, our government should open its eyes to the significant fact that Mexico is today a field of development which is being preferred over other countries classified as reserve lands for the future. This development has increased at a tremendous rate. The discovery of Mexican petroleum in commercial quantities dates back barely fifteen years; today Mexico is the second largest producer of petroleum in the world. However much it may be argued that our oil resources are barely scratched, it is the part of wisdom to provide for the day when this wealth may be exhausted.

It would seem, then, as if the Government should be convinced of the urgency of controlling the extraction of our mineral oil by wise regulation. But the Carranza government, and even more so the present administration, have adopted the policy of forcing extraction to the very limit, without any regard to the future needs of the country. The petroleum decrees and other regulations now in force do not aim at regulating development; they sanction the spoliation of legitimate rights while inviting undue exploitation — a veritable waste of a source of wealth that can not be replaced. The system of concessions and "denouncements" is directed straight at this result; and if it has not yet occurred, it is due to causes foreign to the policy of the Government, such as the lack of pipelines to carry petroleum to the ports and the shortage of tankers to transport it abroad.

Few practices of former governments were so bitterly denounced by the Carranza revolution as the granting of concessions for the development of the nation's resources. Nevertheless, we have already seen that the governments emanating from this revolution have granted countless concessions for the development of petroleum, and have even created what might be

called "huge oil land holdings", more open to criticism from the economic point of view and more pregnant with future grave dangers than the agricultural land holdings so harshly stigmatized in the revolutionary literature and legislation.

The most striking thing in this connection is that this procedure has been established without any law to sanction it. The Executive branch has arrogated to itself the right to substitute the will of the legislator. By mere administrative rulings the Executive has, in fact, interpreted an entire principle of the constitution — Article 27 — while secretaries of department dispose of the resources of the nation with more recklessness than if it were their own patrimony.

It is natural, an even legitimate, that individuals and oil companies should develop petroleum deposits on as large a scale as possible; but what is permissible in the case of an individual or of a company organized for purposes of commercial gain may not be permissible to a government charged with safeguarding the nation's interests, and of which it is the duty to look beyond the life of the generation to which the men in power at any given moment belong. True it is that we do not know what the future holds in store for us in the matter of fuel, nor whether future discoveries will thrust petroleum for the preeminent position it now occupies. Until such events occur, however, it is the primary duty of the government to guarantee the conservation of this source of wealth. Merely to provide for temporary enrichment, at the risk of the welfare of future generations, is not the work of statesmen nor of patriots.

How, then, can the public interest, the national interest, be brought into accord with that of the individual? What formula can be devised to harmonize a sound policy, such as we conceive it, with the proprietary rights of the owner of the soil defined by our civil laws? We are not so vain as to believe that we have discovered this formula. But true to our purpose of honestly expressing our views on the national problems, we must submit the method which, in our humble opinion, can bring into harmony positions apparently irreconcilable.

The so-called policy of nationalization is, we have already said, the deliberate endorsement of spoliation. To despoil is an illicit act. It is not illicit to limit the exercise of the right of property when, interpreted in the light of the vast scope given to it by civil laws, such property right is incompatible with the rights of the community. Theodore Roosevelt embodied this

principle in the following vigorous formula: "When property rights conflict with human rights, property rights must give way."

It would be repugnant to the modern concept of social justice for the owner of a forest or of an oil well, in the exercise of the absolute ownership guaranteed to him by civil law, to believe himself authorized to set fire to this forest or this oil well, merely so that he might gratify himself at the sight of an imposing spectacle. Such an act would be regarded as a violation of the rights and interests of society, and no law which forbade and punished it could be held as unjust. Mexico, together with all civilized countries, has on its statute books laws and administrative regulations forbidding the destruction or wanton deforestation of privately-owned forests, and no one questions the legitimacy of these provisions, even though they abridge the control of owners. All the more, then, may the State enact laws restricting the exploitation of those sources of natural wealth which are not replaceable, such as petroleum.

All these laws have as their basis the harmonization of the rights of the individual with those of the community, and are a manifestation of the police power which pertains to the State. In the exercise of this function the legislator may, and in our opinion should, hold in reserve those oil-bearing districts that have not yet been discovered through private initiative, and refuse to open them to active operation. The already known oil districts, whether developed or not, should be respected, so as not to violate a *present* right, not merely a *contingent* right, such as that of the proprietor who as yet does not know of the existence of petroleum on his lands, and has not performed an act indicating an intention of making use of such petroleum. There is an unquestionable difference between the one situation and the other. Accordingly, a limitation established by law in the latter case would not injure vested rights. Let it be noted that we speak of *limitation* not of spoliation, and of the limitation of a right that is merely, after all, an expectancy.

If in the exercise of its police functions the State may, on conditions prescribed by law, limit the enjoyment of private ownership, it may, likewise, in satisfying the public interest, set the time when a particular source of wealth,— the immediate enjoyment of which the civil law leaves to the individual,— may be opened to exploitation. Accordingly, the reserve lands should be opened to development when the law provides, the respective

owners always enjoying the preferential right to engage in this development.

The policy we have outlined conforms wholly with the principle of Article 27 of the constitution of 1857 which classifies respect for private property as one of the inherent rights of man; for no sound doctrine of constitutional law denies to the legislator the power to limit and regulate the enjoyment of such property, as required by public interest. If the public interest demands, as is unquestionably the case in the situation under consideration, that petroleum resources be developed without waste and be conserved for the greatest period, the State may regulate the development of this source of wealth. The constitution of 1917 and the governments existing thereunder have substituted for the power of regulating the enjoyment of private property that of depriving the legitimate owner of such property, while believing that it is in the public interest to force oil extraction as much as possible. It will be seen, then, that the policy we recommend is diametrically opposite to that of the present Mexican Government. Our policy is constructive; that of the Mexican Government destructive.

We have considered this matter at some length not only because it is the subject of constant and bitter discussions, but also because of its intrinsic importance. We shall now formulate the conclusions, which, in our judgment, should form part of a program of governmental action in the problem of the development of the natural resources of Mexico.

> We believe that in the matter of the development of our natural resources the legislator should be guided by the purpose of harmonizing the rights and interests of the individual, as defined by civil law, with the rights and interests of the Mexican people.
>
> We do not believe that the strictly mining legislation, as it existed under the 1857 constitution, requires, at present, any substantial modification; but we denounce, as a violation of private rights and as contrary to national interests, the application of this system of legislation to oil bodies or deposits.
>
> The exploitation of petroleum measures should not be left absolutely to the will of the landowners and of lessees thereunder for the following reasons. In the first place, petroleum is a natural product of the soil, not capable of reproduction; secondly, it is a substance of primary importance in the economic development of Mexico; and, lastly, it is being exported in ever increasing amounts to meet the constantly growing demands of world trade and industry. It is the paramount duty of the State, in view of these phenomena, to intervene in the exploitation of petroleum. This intervention should have a two-fold aim: (1) Enactment of regulations of de-

velopment which shall prevent the waste of the products extracted; (2) Provision for the future needs of the Mexican people through the creation of oil reserves which shall secure for periods of successive years, and for as long a time as possible, the enjoyment of this source of wealth.

In order to carry out this latter purpose, we recommend that the National Geological Institute undertake to locate the greatest number possible of oil-bearing districts, which have not yet been opened up to prospecting or exploitation by private individuals or companies. The districts thus designated should be closed to immediate exploitation, and should only be operated successively and as determined by law.

So soon as a district is reserved, the government should seek to reach an agreement with the owners of the land within such district, with a view to acquiring for the Nation the right to develop petroleum within the circumscribed areas. Owners failing to reach an agreement with the government may, however, operate on their own account or contract for the development with others, so soon as the district has been opened to exploitation. Should they fail to exercise this right within the period set by law, the government may order that the area in question be opened to active operation, on the ground of public welfare (*utilidad pública*), and the right of development granted under terms prescribed by law. In such event, and in the absence of an agreement between the operator and the owner as to the compensation to be enjoyed by the latter, the former shall pay him an amount equal to the value of 10 per cent of the output.

We regard the system of "denouncements" and concessions to develop oil deposits as contrary to the national interests, and often in violation of property rights. Inasmuch as Congress has not enacted the law to carry into effect Article 27 of the constitution of Querétaro, the "denouncements" and concessions have no legal basis, even when measured by the standard of this constitution. They afford, furthermore, a pretext for immoral speculation, and for rewarding political services at the expense of the nation's resources; and, lastly, they form an incentive to waste a substance that it is imperative to conserve for the greatest period possible, for the good of the whole people.

The development of which the oil industry is susceptible, the preponderant part which foreign companies and even foreign governments play in its exploitation, the technical character of the exploitation, and, lastly, the national interest involved, render it expedient that this whole matter be subject to a uniform policy throughout the Republic. We therefore think it necessary that the federal constitution should vest in the federal authorities the exclusive power to intervene in this industry.

We favor the levying of special taxes on the mining industry and on the production of petroleum. These taxes should be neither oppressive nor confiscatory, but should be established bearing in mind, among other factors, the hazards and uncertainties to which capitals invested in such enterprises are exposed. We believe that the fairest

basis for the imposition of these special taxes consists in assessing a certain percentage of the value of the products either at the place of production or at the port of shipment. The federal congress should be exclusively charged with the levying of such taxes; but an equitable portion should be ceded to the respective states and municipalities.

With regard to our timber lands, we recommend that the federal and state governments, within their respective spheres, enact and make effective provisions forbidding the destruction of forests and encouraging the growing of new woods. The federal and state governments, and the municipalities should set apart public lands in sufficient amount for the growing of woods, and, in general, for the planting of trees. The federal government should be authorized by law to expropriate, for reasons of public welfare and with compensation, such wooded tracts as it may be advisable to reserve, while at the same time so regulating their exploitation as to assure their conservation.

We condemn the system of favoritism almost universally followed by Mexican governments in the granting of concessions to develop the public domain. The laws on the exploitation of timber lands, resin, rubber, and other natural products on national lands, and those relating to hunting, fishery, exploitation of saltbeds, and, in general, to the enjoyment of natural resources, should be amended so that the granting or refusing of concessions, and the fixing of the portion to be paid to the State for the privilege of development, should not be left to the will of the Executive. Concessions should be granted on terms to be fixed by law, and adjudicated in public auction, taking as a point of departure for the compensation to be paid by the concessionaire the minimum amounts established in the respective schedules.

XIV

ECONOMIC AND FINANCIAL PROBLEMS

THE STUDY of the economic and financial problems of Mexico, constituting one of the most important aspects of the general problem of reconstruction, calls for accurate data, which, unfortunately, no one has in sufficient volume. The figures available are, to a large extent, hypothetical, for many reasons, among which may be cited the neglect of all statistical compilation during the Carranza administration.

The subject under consideration presents two phases: (1) The liquidation and payment of the national debt; and (2) the reorganization of domestic credit and the readjustment of the factors of production.

The national debt may be divided into two parts: (1) That portion incurred before the revolution; (2) That portion growing out of the revolution. The former is susceptible of liquidation by simple arithmetical operations; the liquidation of the latter calls for the establishment of an equitable scheme which the law should precribe.

As to the former, if we follow the classification generally adopted, we must divide the obligations into internal debt, foreign debt, and debts guaranteed by the nation. All these debts are increasing daily through the accumulation of interests accrued and outstanding. Nevertheless, it is advisable to present certain figures so as to give an idea of the burdens, as to which there is no question, which weigh on the Mexican people.

The newspapers of Mexico City published on July 1st, 1920, the following statement from the Treasury Department:

Internal Debt	138,795,550.00	pesos
Foreign Debt	286,944,251.37	"
Total	425,739,801.37	"
or	212,869,900.69	dollars
Interest on both debts calculated to July 1st, 1920	122,509,667.51	pesos
or	61,254,833.76	dollars

Accordingly, Mexico owed on July 1st, 1920, merely for the two items above specified, according to officials figures ..... 548,249,468.88 pesos
or 274,124,734.44 dollars

The preceding amount is deceptive, since it omits entirely the 1913 loan. Lack of information precludes our fixing the exact amounts received on account of this loan, the bonds of which are for the most part held by foreigners. A fair estimate, however, of these bonds, including accrued interests, exceeds 150,000,000 pesos, or 75,000,000 dollars.

Furthermore, there is the debt growing out of guarantees assumed by the Federal Government which must be paid. This has been computed by the Federal Treasury (as of April 1st, 1913), at 4,072,700 pesos or 2,036,350 dollars; but this amount only included obligations of the different States guaranteed by the Federal Government. To this sum we must add interest charges, the amounts represented by the mortgage bonds of the National Railways which the government guaranteed, bonds of the Vera Cruz-Isthmus Railroad, and bonds of the Farm Loan Board (*Caja de Préstamos para Obras de Irrigación y Fomento de la Agricultura*). And to all of the foregoing must be still further added what is due on the so-called Pious Fund of California.

Based on the items enumerated in the foregoing paragraph, we calculate that the responsibility of the Mexican nation on these lines amounts to approximately 500,000,000 pesos or 250,000,000 dollars. If we add the aggregate of the so-called internal and domestic debts, it is reasonable to assume that at the time of writing (August, 1920), the total obligations growing out of the items specified in the preceding paragraphs aggregate not less than **one billion two hundred million pesos,** or 600,000,000 dollars.

In addition to these debts, there is that growing out of the responsibilities caused by the various revolutionary movements since November, 1910. The highest will unquestionably be those occasioned by the seizure of funds of the banks and total ruin of their business; those arising out of the seizure of railroad lines and destruction of permanent property and rolling stock, and lastly, out of the seizure of properties belonging to nationals and foreigners. It is impossible to estimate even approximately the amount of this obligation. One item, alone, that of cash

taken *manu militari* from the vaults of the banks, amounts to 54,000,000 pesos or 27,000,000 dollars, according to official figures of the Carranza government.

In August, 1919, the Secretary of the Treasury of the Carranza government gave a statement to the press to the effect that the national debt, for the various items already enumerated, — debt in the narrower sense of the term, obligations growing out of seizures, forced loans, damages, etc.,— amounted at that time to **one billion pesos,** or 500,000,000 dollars. Unfortunately this figure is much below the real figure, for we have seen that the responsibilities of the Mexican nation merely on the score of contracts executed by the government, and without taking into account the heavy burdens which the revolution has left upon the country, amount to more than the billion pesos acknowledged by the Secretary of the Treasury.

In our enumeration of the items of responsibility growing out of the revolution, we have purposely refrained from alluding to those proceeding from the issues of so-called paper money. This matter involves grave questions of a moral and equitable order, into which we can not enter here. We shall point out, however, that these responsibilities, in case they exist, will be found, we think, to be far less than the amounts usually quoted, and than what speculators expect.

Let us now consider how we can meet our debt, in the strict sense of the term, that is, the financial obligations of the government as represented by legally issued securities now in the hands of the public.

We do not believe that the productivity of Mexico has increased in the last few years. The cattle industry has been reduced to the furthest limits possible; agriculture suffers because of the destruction of working material, because of the active emigration of farm laborers to the United States, because of insecurity in the fields and because of the heavy burden of new taxation; sisal (*henequén*), which constituted a valuable source of revenue, is now passing through a crisis, the outcome of which no one can foretell; the mining industry has suffered from the state of domestic disorder, and if the apparent results of mining development have not been wholly unfavorable during recent years, this is to be attributed not so much to an increase in output, as to the high prices obtained for some metals, especially silver, as the result of conditions wholly foreign to our domestic situation; almost all the lines of communication

which bring the factors of production into play, have run down and lack rolling stock, being at the same time subject to frequent interruptions and to the military needs of the government. The only source of wealth that has prospered, and which, therefore, constitutes an important source of revenue, is petroleum.

It is a fact that the revenues of the federal government have grown considerably, due to a substantial increase in existing taxes, and to the creation of new ones; but thus far the legitimate and illegitimate needs of the government have been a whirlpool which has swallowed up the largest revenue. To this we must add that in the chaotic administration of the public finances during the days of Carranza, substantial sums disappeared from the public treasury, without any accounting having been made; while it is reasonable to assume that many sums which should have been paid into the national treasury never found their way there.

So long as these conditions prevail, it will be useless to talk of settlements with our creditors. We stated in the preamble of this document that the basis of all governmental labor must be integrity, particularly in the handling of public funds. The government that succeeded the Carranza regime announced its purpose of purifying the financial administration; but even were these laudable intentions carried out, so long as well recognized methods based on the laws of economics applied to our needs do not take the place of measures inspired by a purely opportunist policy or by the whims of the Secretary of the Treasury, the distrust of our creditors with regard to the Mexican government and people will continue to be an insuperable obstacle in reaching any settlement of our public debt which shall prove advantageous and decorous.

We trust that the government will be convinced of the truth of this statement, and that it will be capable of implanting in the Treasury Department methods based on scientific principles and on absolute probity. With this premise we shall briefly analyze the problem from two points of view: First, a settlement with our creditors; and secondly, a stimulation of the productivity of Mexico.

It is frequently said that Mexico imperatively needs a heavy loan to liquidate its debts and restore its credit. In our judgment there is no plan more difficult of realization nor more antipatriotic.

The hopes of the present creditors of Mexico are, whether

or not they so will it, bound up in the fate of the country. Bonds of the Mexican public debt are hardly quoted on the markets of the world, and if they are, it is at ludicrous rates. It is reasonable to assume that the majority of them are held by bankers or speculators who have been able to accumulate them and patiently await the moment of liquidation. It would be a matter of satisfaction for these two classes if Mexico were to resume the payment of her debt, even though the government only began by meeting a fractional portion of its obligations. However painful it may be to have to make the admission, the fact remains that Mexico is bankrupt. Mexico is a debtor with enormous possibilities, but with most discomforting present conditions. Her creditors cannot be reconciled to the idea that the payment of present day credits be post-poned for the benefit of future generations, and if they are benefited by Mexico's resumption, even though partial, of her public debt service, their state of mind must be very different from that of a new creditor who is approached for funds at the moment of bankruptcy. If the new creditor risks his money it will be on the double basis of a very high rate of interest which would constitute the premium on the insurance, as well as the interest properly speaking on the capital, and some humiliating guarantees to which no self-respecting Mexican government could accede.

Furthermore, it should be borne in mind that the present time is the least propitious for Mexico to enter the market in search of a loan. The French government has just contracted loans at a rate higher than its nominal rate of 8 per cent; while the British government is compelled to pay higher rates of interest than it has ever paid at any time in history.

Accordingly, the only honest, logical and practical solution for Mexico and her creditors is that the government should invite them to enter into a settlement, based on absolute good faith and a sincere readiness to pay, up to the very last cent which it is physically possible to pay.

It would neither be proper nor acceptable to her creditors if Mexico were to reduce the interest rate accruing on the debt, so as to make it possible immediately to resume payment of this service. What the strictest equity requires is that, on the basis of the rate of interest stipulated in the various contracts, an aliquot part of the interest due on the various certificates of indebtedness be paid, the balance being left as deferred interest.

Then year by year, or in periods of two to four years, as the country recovers its vitality, the portion of the interest paid would be increased under agreements between the government and representatives of the creditors. Later, so soon as the interest payments were completely satisfied, the amortization of the principal might be begun, unless by that time conditions permit a general settlement of the public debt under new conditions favorable to the country.

We maintain that this is the only honest, the only patriotic course. Should a fresh debt be contracted at this moment,— on onerous conditions as would inevitably be the case,— the difficulty would only be postponed for a few months. When Mexico is unable to meet these new engagements, her credit would reach a lower ebb than ever, inasmuch as with our freshly assumed new obligations not even the strictest straightforwardness of administration could save us from another bankruptcy.

The need of a loan for the rehabilitation of the railroads is frequently discussed. We think that not even for this special purpose should new obligations be undertaken, even assuming such an operation possible in view of the enormous responsibilities now weighing on the government with regard to the National Lines. What the government should do without delay is to moralize the administration of the railroads and to invest in their reconstruction that portion of the revenues derived from their operation that is now turned into the federal treasury. Moreover, we hold that the government should initiate with the stockholders and bondholders of the National Railways the negotiations we recommend in the preceding chapter on railway policy, so as to reach a settlement which shall have the double advantage of restoring the efficiency of the railroads and of liquidating the responsibilities legally chargeable to the nation.

The responsibilities which the banking institutions are entitled to expect the government to assume by reason of the acts of violence perpetrated by the Carranza government may be divided into two chapters: Those arising from the seizure of funds, and those growing out of the illegal suspension of these establishments. Those of the first group must be paid in cash. It is our conviction that those of the second category should be liquidated through special arrangements, which will depend on circumstances which it is not possible now to foresee. We have considered this matter more in detail in our remarks on the reorganization of our banking system.

With regard to the other responsibility for damages caused by our condition of disorder, we ratify what we have already said in the chapter on claims. We believe that the law should empower the government to issue special certificates to be authorized only for such amounts as are decreed by the claims commission and the mixed commissions. We do not believe it a difficult matter to secure the assent of the governments interested in the claims of foreigners, so that payment of these amounts may be made in the special bonds to which we have referred. These bonds would bear a modest rate of interest after a reasonable date — three or five years from their date of issue.

With regard to the second aspect of our economic problem, that is to say, the stimulation of the productivity of the country, we are not convinced of the efficacy of governmental action as the *chief* factor of this productivity. We are of the opinion that the government can, and should, lend its aid, possibly in a more intensive manner than it has heretofore attempted to do; and to this end are addressed some of the recommendations we have made in various chapters of this pamphlet. But the government should assume an important function in connection with the circulation of public wealth, by means of the only factor which can constitute the machinery of such circulation, namely, domestic credit, establishing to this end a banking system scientifically conceived and adapted to the needs of the country.

Merely by way of illustration of the results that may be expected from the establishment of a scientific banking system, we shall mention here that prior to the adoption of the present Federal Reserve System in the United States, the amount of money existing in the banks of the country was at times ten times in excess of that held by British banks; and yet the banking power of the United States was inferior to that of England, and the former was constantly compelled to borrow from the latter. Since the adoption of the Federal Reserve System, the United States have been in a position to meet the tremendous financial needs of the European war, to convert the great Allied Powers into debtor nations, and later to seek a readjustment of their economic situation with less derangement than any other nation.

In reorganizing our banking system, the first essential should be the authorization of banks of loans, discounts and deposits, the issue of notes, however, being exclusively under the control

of the government. Banknotes form a part of the circulating medium, and the whole monetary system of a nation requires the effective control of domestic circulation. Without it there is no money, in the proper sense of the term, as the sole measure of values in just relation to the needs of circulation. The establishment, therefore, of a single bank of issue is imperative. This solution was not first conceived at the Constitutional Convention in Querétaro, for preliminary surveys had already been made by former Mexican governments along this direction, and even certain initial steps taken.

The functions of the single bank of issue ought to be twofold. In the first place, it must act as a bank of issue and deposit, and designed to concentrate and distribute government funds; and in the second place, as a bank of rediscount which will not deal directly with the public, other than in exceptional cases, but with unchartered banks operating throughout the Republic. By means of this rediscount and through the instrumentality of these banks, the single bank of issue can distribute the benefits of credit, facilitating the advantageous use of energies that are now directed mainly along revolutionary and destructive lines; and at the same time bringing into play forces that now lie dormant and of no avail to the common good.

Heretofore, the strictly commercial credit, that is, the discount of commercial paper, has been insignificant in national banks, to such an extent that on their balance sheets as of December 31, 1910, that is to say, prior to the period of political disorders, the item of discounts made by all the banks in the country barely reached the negligible aggregate of 16,315,669.84 pesos or 8,157,834.92 dollars. This figure represents the greatest charge that can be brought against the banking system then in force. For if the discounts did not then reach a higher amount it was not because there were no persons in Mexico who needed to engage in these operations, nor that among these persons there were not many deserving of credit. The lack of discounts was due to two main causes. In the first place, the banks dealt directly with the public and monopolized banking operations under the shadow of their franchises. There being no independent banks, rediscount did not exist; therefore those who lacked influence with the managers or directors of banks could make no use of their credit and were allowed to fall into the hands of usurers who took advantage of their own credit and personal influence in the banks to obtain funds, lending them

at very high rates of interest. In this disguised form of rediscount, the real debtor was unknown to the bank. The second reason to which we attribute the negligible amount of discounts was that the majority of the debts in favor of the banks, though commercial in form, consisted really of long term obligations renewed half yearly as a mere matter of form, and which constituted the operating capital of agricultural or industrial concerns. This situation was such that had an attempt been made to force payment on the expiration of the first six months, the result would have been a general panic, as was clearly seen by the mere announcement once made that the government would require the banks to collect these credits.

These facts show beyond question that the banking system established by law was in practice fundamentally misapplied.

With these circumstances in mind and inasmuch as a bank of issue and rediscount,— or single Bank of Issue, as we shall continue to call it for the sake of simplicity, — would distribute the advantages of credit to all parts of the country, it is to be assumed that the real national discount would considerably increase, and that the resources of the Bank would be much sought after in fulfilling this function of domestic circulation.

It is not to be wondered at that the Carranza government did not succeed in three years in organizing the single Bank of Issue. A bank is an institution of credit that cannot exist without the confidence of the public. The lack of scruples of this government in the handling of public funds and its attacks on private property have found expression in one of the greatest evils in the country: the complete disappearance of that social asset known as credit, the product of moral and intellectual forces much more valuable than money itself.

The subject under consideration is highly complex and difficult; its factors are eminently technical, and if we attempted to investigate them we should be writing a scientific monograph and not a program of governmental action. The considerations we have given above seem to us sufficient to warrant the definitive abandonment of the banking system in force before the attacks made against the banks by the Carranza government, and the establishment, as the cardinal principle of the new system, of a single Bank of Issue, around which there would spontaneously spring an indefinite number of private banks to act as agents in the diffusion of credit through the valuable instrument of rediscount. These banks would be subject to

certain rules of publicity which the law would establish and to the effective inspection of the government, thereby assuring the public the necessary guarantees; but their establishment would be wholly free.

Having indicated this general banking policy, the next step is to consider how the single Bank of Issue would obtain the necessary capital to begin operations. In the first place, we would condemn any attempt to obtain this capital by means of a foreign loan, since in this way the Bank of Issue, and to a certain extent the Mexican government, would be under foreign financial control. Without attempting to outline the steps to be taken to obtain the initial capital, — since they would depend on the circumstances of the moment, — we would say, that the most practical, and at the same time most equitable method, would be to allow the former banks of issue preference in subscribing to the capital stock of the single Bank of Issue. This would be but the natural application of the policy of integrity which ought to animate the actions of the government, since if by virtue of the creation of the Bank of Issue the former banks must disappear, — at any rate as banks of issue, — it is only just that they should be afforded the advantage of becoming interested in the new institution.

We shall not attempt to enter into the details of the negotiations which the Mexican government would have to undertake with the former banks of issue, since little would be gained by speculating on more or less hypothetical conditions. The essence of our recommendations rests in that, for the mutual advantage of government and banks, an effort be made to reach a settlement as to the responsibilities of the Nation in favor of the banks, which shall leave them or their shareholders directly interested in the single Bank of Issue. A condition of any settlement must be, however, that the government bind itself to reimburse the banks in cash for the amounts forcibly and arbitrarily taken from their vaults by the Carranza government.

But how can this latter condition be met in the present state of the public finances? It would be idle to assume that the government could pay out at once the fifty-four million pesos that Carranza seized; but we have no doubt that it will be in a position to reimburse them within a reasonable period, by resorting to the extraordinary measure of levying a temporary additional tax on those exports which could bear such

a tax without injury to the national industry. The proceeds of this additional tax would be prorated among the banks despoiled, and would cease to be levied on the exports the very minute that the purpose for which it was created had been satisfied.

Independently of the process outlined above, subscriptions to the capital stock of the Bank of Issue would be opened to independent financial institutions and to the public in general. We do not delude ourselves with the notion that this procedure would result in the collection of one hundred to two hundred million pesos frequently heard in this connection and which in our judgment would be wholly unnecessary. The bank might begin to operate with modest resources, to be steadily increased as the country enters more and more along the path of development and prosperity.

We have said that the single Bank of Issue will fulfill two radically distinct functions: A strictly banking function characterized by discounts, exchanges and deposits, and the function of the issuance of bills. The latter will be exclusively under the control of the government; accordingly the exchange and discount department of the bank, although independently administered by the officers of the Bank, should be subordinated to the rulings of the government in all matters relating to issue.

Both through the form we have outlined for the collection of the capital stock of the Bank, as well as because of the intervention of the government in its function as a bank of issue, the Bank would be eminently a national institution. Furthermore on its board of directors there should be a majority of Mexican citizens. In this connection, we believe that the president and manager of the Bank should always be Mexican citizens, and that the number of foreigners on the board of directors should never exceed one-third of the total number of members.

Among the services to be rendered by the Bank should be the concentration of the funds of the Federal Government collected throughout the country and their disbursement under instructions of the Treasury Department. Among other advantages, this arrangement would provide for the facilitation of the circulation of the bills of the Bank of Issue, which will, however, be redeemable at sight. It will furthermore permit the creation of other institutions of credit, without the need of using the metallic reserve of the Bank, thereby leaving a balance available for other purposes.

The resources of the Bank should not remain idle. In view of the need of capital in Mexico, it is reasonable to assume that the best investment of funds can be made in the Republic itself. And yet, if we are not to fall into costly error, only after long experience can any substantial amounts be taken from the Bank and used in promoting institutions of agricultural credit, whether of mortgage or of promotion.

In condemning any resort to foreign loans to obtain the capital of the Bank, we have borne in mind the immediate effect which such an operation would have upon exchange. The system we advocate, on the other hand, would stimulate the increase of rates on foreign exchange. This situation, however, would not, as we believe, be prejudicial to the progress of Mexico, but would rather stimulate production, besides having other incidents which would react favorably on the economic situation.

No program of national reconstruction would be complete which omitted the important subject of taxation. And yet different circumstances conspire to prevent our making more than a general reference to the topic. In the first place, we lack the essential premise, namely, reliable statistics covering a sufficiently long period. The economic phenomena in Mexico have undergone various changes due to domestic revolution and disorder and to the complex effects of the European War. In the circumstances, any attempt to counsel a specific line of action would lead to error.

It is, of course, evident that the Carranza administration has imposed upon the tax payers burdensome taxes, some of which, — such as the 50 per cent quota of the so-called federal tax, — should be radically modified, and that there are other taxes which, while ante-dating the Carranza government, should definitely disappear, either because they are irritating and inquisitorial in character, or because they are in conflict with all economic principles. Certain taxes are the out-growth of the vicious practice of the federal government in restricting the economic activities of the various states, by levying special taxes thereon, so soon as they attained any importance — a system, not only in conflict with our federal pact, but unfair and uneconomic. An analysis of our taxation from the standpoint of accepted legal classifications might readily be made; but such a survey would not lead to any practical result, because we are unable to make specific recommendations.

In a general way, we may say that if the reconstruction of

Mexico rests fundamentally on the solution of her economic problems, or, in other words, if Mexico needs, above all things else, to mobilize all her sources of credit so as to intensify agricultural production, then a sound taxation system should have this supreme purpose always in mind.

Our conclusions on the subject treated in this chapter follow:

The solution of the economic and financial problem of Mexico lies in the settlement of its pecuniary responsibilities and in the stimulation of its sources of wealth, with a view to increase production, especially agricultural.

However painful, we must recognize that the country is bankrupt, and that the resources at its command, now and for a certain number of years to come, are inadequate to warrant the immediate payment of her obligations, after meeting the necessary expenditures for the administration of public affairs.

It seems to us evident that the government should not contract new debts in carrying out its part in reconstruction. We need, beyond all question, foreign capital; and we should, therefore, give it every encouragement to invest in Mexican enterprises; but such capital should come to us through the spontaneous action of private initiative, with full legal safeguards.

Accordingly, we condemn the economic policy of the governments emanating from the Querétaro constitution — a code conceived in a spirit of hostility to foreign capital and to everything foreign. The first step is the repeal of laws which oppress capital, and the confiding of the administration of public affairs to upright men, capable of understanding the needs of the people and the action of economic laws. Once this has been assured, the government may, by means of the national resources, do its share in the task of reconstruction, and may, in no very remote future, comply with all its outstanding obligations. We go still farther; it is a duty of every really patriotic government to assure, by means of a policy such as we suggest, the economic independence of Mexico and thus pave the way for its advancement.

To this end, it will, furthermore, be necessary to obtain from our creditors a reasonable extension, not the compulsory and irregulated extension we have been enjoying, but one expressly agreed upon by the parties. By virtue of this arrangement, the government should immediately begin paying a part of the interest on all bonded indebtedness, the balance of the interest being left as deferred interest. The aliquot part of the interest should be increased year by year, or on longer terms if agreed upon, until the service can be wholly resumed, or until the conditions of the country and of the money markets of the world allow the making of special arrangements on the various classes of bonded debt or a general settlement covering all kinds of indebtedness.

So, too, we condemn as antipatriotic and anti-economic every

effort directed to secure a new loan to liquidate outstanding debts. A new loan would entail greater burdens than those we now can bear, and would mean large commissions to bankers or agents, a heavy discount on the bonds, and a high interest rate. Again, since those making the loan would not accept the ordinary guarantees, which have proved to be unavailing in our state of anarchy, we should be forced to give other guarantees which would be derogatory to our national dignity. With our obligations increased, we should soon be in the position of not being able to fulfill them, and be confronted with the danger of having meted out to us the same fate as other insolvent nations of the American continent have already met.

Legitimate claims growing out of our condition of disorder should be paid in special bond issues; it is reasonable to hope that the foreign governments interested in such claims will accept this method of payment. The bonds would be redeemable at long terms, and bear no interest until after an accepted period.

The responsibilities of the government to the creditors of the National Railways should be the subject of a special settlement, as outlined in our chapter on railroads. In no circumstances whatever, should a new loan for the rehabilitation of the railroads be made, since the most advantageous arrangement for the country in this respect is an effort on the part of the government to be released from the burdens it has assumed in regard to the National Lines. A fresh loan would merely add to these burdens.

We believe that the government should be an important factor in fostering national production. Among other functions, it must play one important rôle, namely, to expand and disseminate credit by means of a banking system different from that which existed in Mexico prior to the Carranza revolution. The right of issue should be confined to a single institution, in whose strictly banking functions the government should have no intervention, although the issue of notes would be under the direct control of the government. This bank should not, as a general rule, deal directly with the public, but operate through private banks to be established with entire freedom, although remaining subject to the supervision and publicity required by law for the protection of the public's interest. The Bank of Issue would distribute its credit throughout the Republic, through the process of rediscount, and by the concentration and distribution of public moneys collected in different parts of the country. The president, manager, and not less than two-thirds of its directors should be Mexican citizens.

We believe that the capital stock of the Bank should not be obtained through a foreign loan, since the contraction of such a loan would be both anti-patriotic and anti-economic, and would, moreover, rob the institution of its *national* character. It is our judgment that the best means of initiating the subscription to the capital stock of the Bank would be to invite the former banks to subscribe, in cash, a part of this capital stock. The government should, sooner or later, enter into arrangements with these banks;

and since the establishment of the single Bank of Issue would definitely deprive them of the character of banks of issue, it is an act of justice to offer them the opportunity to become interested in the new institution.

The government should reimburse the former banks of issue the amounts forcibly taken from them by the Carranza administration. To this end, we propose that, until such time as the conditions of the public treasury allow a better arrangement, there be used for this reimbursement, funds obtained from an additional tax, — transitory in character, — on certain exports which, because of the high prices prevailing abroad, warrant such a surcharge.

We advocate a general revision of our tax laws, so as to make them more equitable and more in consonance with economic principles. A complete revision is particularly urgent in import and export duties, since the rates now in force follow no system, and are based either on a wholly opportunist viewpoint, or on the imperative need of funds, or, again, on the immoral purpose of favoring certain interests or persons. No bill embodying changes in tariff rates should be introduced by the Executive into Congress unless the proposed measure is made public well in advance, so that all who believe their interests affected may be heard on the subject. Futhermore, the Treasury Department should call special meetings of representatives of the different organizations or lines of business more directly interested in the bill, so that a frank discussion between themselves, and the representatives of the government, may be had as to the advantages and disadvantages of the changes proposed.

We denounce the system of the grant of extraordinary powers to the Executive in the Department of Finance, as both contrary to the constitution and incompatible with the essence of democratic government, and as a fertile pretext for immoral and scandalous speculation. During the Carranza administration, the Executive continually *legislated* in tax matters, — no less than in other matters not pertaining to the Department of Finance, — even when Congress was in session; and this situation, inconceivable in a constitutional regime and in circumstances of orderly government and political liberty, continues under the present administration. Many state governors are, in turn, invested with similar powers. We protest against this form of tyranny which permits the Executive Power to dispose of the property of citizens, and to disturb by a mere whim, the economic regime of the Republic. Such a practice constitutes the most humiliating abdication of its inherent powers by Congress. The national legislature thus not only violates the constitution in granting such extraordinary powers, but is false to the faith which the people have reposed in it as the guardian of their interests.

XV

THE AGRICULTURAL PROBLEM

PREJUDICE is certain to be stirred when one hears the expression "Mexican Land Problem." It is an expression likely to cause inaccurate impressions. The so-called "land problem" is only the problem of agriculture in Mexico. In its solution are involved the assurance of food supply, that is, the life of the people, and the real national wealth.

We indicated in the preamble of this essay that the mining industry, to which Mexico owes its reputation of being one of the richest countries in the world, does not represent our true wealth. Mexico does not enjoy, except indirectly, the proceeds from this industry. The product emigrates from the country almost entirely; accordingly, the profits from the industry are not distributed in the country except in the rare cases in which the mines are operated by Mexican capital. What we say of the mining industry is true, in part, of petroleum, the profits from which go to a large extent abroad, after the royalties generally reserved by Mexican landowners are deducted.

Deceived by this false concept of our immense mineral wealth and believing that the agricultural resources of Mexico are likewise enormous, we infer that the state of misery in which the great majority of our people live is due to the unreasonable cupidity of the landowning class, who, having cornered the agricultural resources for their own benefit regard with criminal indifference the abject condition of the great mass of the people.

The truth is that Mexico is today a poor country, from an agricultural point of view, and that the alleged land monopoly of the land-owning class is a most painful evidence of poverty. The reasons for this state of things are somewhat complex; and we now proceed to examine them.

It is common knowledge that the United States leads all other countries in mineral wealth. Yet, if we compare the mining output of the United States with its agricultural production, we shall see an enormous difference in favor of the latter, 2,300,000,000 (dollars) and 10,500,000,000 (dollars), respectively in 1915. Unfortunately, the absolute lack of statistical data on

agriculture in Mexico renders it impossible to compare its agricultural production with its mineral output; but we can say that, compared with the United States, we are in, not only a relative, but an absolute condition of inferiority in the matter of our agricultural yield. It will be sufficient for us to cite the figures compiled by the Director of the Agricultural Bureau of our Department of Fomento which show that, while the average yield of wheat per hectare in the United States is 1,068 kilograms and that of corn 1,302 kilograms, the average yield in Mexico from the same area of land is 292 and 650 kilograms, respectively.

The stupendous yield of its agricultural products furnishes the key to the enormous wealth of the United States. While the mining industry benefits directly only a small number, agriculture scatters its blessings among a great mass of the population. Did the character of this work permit, we might attempt an explanation of many of the surprising phenomena of American life, and show that they have their origin in the magnitude and type of their agricultural output, toward which nature has contributed in a measure probably not equalled elsewhere. We should likewise explain how the poverty of our agriculture is the underlying cause of many peculiarities of Mexican life, beginning with the high mortality occasioned by gastro-intestinal diseases, — due to the scarcity and inferior quality of food, — and ending with the political agitations and banditry which make men appear at times fierce, at times heroic, who are merely human beings crazed by famine or by their desperation to eke out a living with less hardships.

The agricultural problem is, therefore, a humanitarian and patriotic problem; a matter of life and death to our masses. It is then criminal to convert it into a war cry and to make it a rallying-point for political strife. Of all our problems it is that which requires the most dispassionate and scientific study, for on its wise solution depend the prosperity and progress of the great majority of the Mexican people.

If we were seeking to emphasize how unpatriotic and inhuman it is to convert a problem of scientific cooperation into a pretext for internecine warfare, it would suffice us to call attention to the fact that mortality and emigration have increased in Mexico as the direct result of a revolution avowedly undertaken to benefit the poorer classes dependent on our meagre agricultural production.

Before we may properly formulate sound recommendations on a problem of such gravity as this, we must, at least, make a passing survey of its chief factors.

* * *

The Mexican Republic has enormous areas cultivated poorly or not at all. This is evident even in districts where the land is very fertile but the climate hot and insalubrious, rendering such regions uninhabitable to persons from elsewhere, and decisively enervating the character of the inhabitants. These lands would be rich if the considerable capital required for their sanitation were to be invested in them.

In other zones, such as the districts of Sonora and Sinaloa, which correspond to the western slope of the Sierra Madre, the climate is healthy and the land fertile; but here too, a large investment of capital in irrigation projects is necessary before the land can be brought under agriculture.

In large tracts of the central tableland the land is equally good and the climate equally favorable; but this land is now largely impoverished through prolonged cultivation and the insufficiency of water. The success of crops in these districts depends on the contingency of rain which falls but three or four months of the year; while it not uncommonly happens that the rains are lacking at the moment most critical in the growth of vegetation or else fall in such abundance as to ruin cultivation and to sweep away the crops. Furthermore, the altitude causes rapid evaporation, thereby increasing the uncertainty of crops.

There are other extensive tracts in the so-called northern tableland that must be classified among the arid or semi-arid lands, which can with difficulty be cultivated because of the small rainfall and the scarcity or complete lack of water for irrigation purposes. These obstacles cannot, of course, be removed without the investment of large sums of money.

Nor are these the only disadvantages weighing upon our national agriculture. We have only a very few rivers, navigable at all or for any distance. Overland travel is difficult, almost all the highways being in a poor state, and many being impassable except on foot or horseback. Prior to the era of railroad building wheat raised in Puebla could not compete in Vera Cruz with that imported directly from Boston and New York, because of high freight rates. The consumption of farm produce is still wholly local in places lacking railroad communication, so much

so that the development of agriculture in Mexico depends to a large extent on the construction of railroads, which in turn demands a large outlay of capital.

There are regions in the country where all favorable elements concur: land, water, sanitation and communication. These areas are, however, small, and hence are called upon to bear the burden of furnishing food for the whole nation. The agricultural output, therefore, is determined by the demand for staples. This accounts for the fact that some of these tracts are devoted to the cultivation of wheat, despite the ravages of various tropical plagues on this cereal; but the demand for this crop causes others to be neglected which, while not subject to the danger of plagues, are less in demand as not being so necessary as a staple to the people. The farmer is thus bound down by the routine of immemorial practice; and the land daily becomes more and more impoverished.

Three deductions may be drawn from the foregoing facts:

First. That in view of the topographical, hydrographic and climatological conditions in Mexico, agriculture cannot be appreciably improved except through the investment of large capitals. Any attack, therefore, on capital in Mexico is a direct attack upon the interests of the people.

Secondly. For the same reason, small landed property, devoted to intensive cultivation, has only been possible on a small scale, and as a result our agriculture has had to be of the capitalistic or large land-owning class, — *latifundista*, — to use the expression made so familiar by the revolution.

Thirdly. The backwardness of Mexican agriculture is due to natural and economic phenomena to a large extent independent of any action on the part of the class owning great estates.

To those who believe that the Mexican land-owner is avaricious, and exploits the misery of the majority of the inhabitants, it will no doubt be a surprise to learn that the situation of the land-owner is such that in the majority of cases, when he contracts a debt and can only rely on the produce of his farm to liquidate it, he usually dies without paying the debt, and his only chance of being released lies in selling the land to someone with more capital. This is the condition of the Mexican land-owner, as described by the publicists of the 18th century, and this it is today.

It may be argued that the landowner is responsible for his

situation because of the use of antiquated methods. Those, however, who are familiar with our farm life, will know that there are many farmers who would welcome the use of modern farm implements, and modern chemical methods, but who fail because of the difficulties inherent in the situation, not the least of which are the lack of capital and the refusal of the natives to try new methods.

These circumstances induce the land-owner to subdivide his lands, whenever the opportunity offers, thus constituting a powerful factor in favor of subdivision of large landed estates which will be carried out when there are no other reasons, not inherent in the problem itself, which stand in the way.

In the last years of the Diaz administration the subdivision of lands had been begun under such favorable auspices as to offer the hope that it might soon become general. The banks furnished the farmers with the necessary credit to the neglect of their strictly banking functions, thereby contributing to the subdivision of large properties, since they demanded no mortgage guaranty for their loans. It is well known that our mortgage laws establish the principle of the indivisibility of the guaranty. This acts as an obstacle in the subdivision of any mortgaged property, since the credit secured by the mortgage affects each and everyone of the lots into which the whole estate is divided. The movement in favor of the subdivision of property suffered a setback when the Treasury Department, in February 1908, ruled that banks should confine their operations to discount for a term of six months. It was later wholly suspended when the political upheaval destroyed every form of credit in the country.

We endorse the view commonly held as to the advisability of subdividing large landed estates, not through antagonism to the land-owning classes, — a sentiment which we have shown to be unjustified. — but because small landed property in the hands of men with adequate financial resources will contribute to the transformation of our social life, increasing the staples of food and elevating the moral condition of our millions of farm hands.

We do not, of course, advocate the extinction of large landed estates that are indispensable for certain crops and for stock raising. We likewise do not pass over the arguments often made in favor of large holdings because of the constantly increasing use of farm machinery; but we realize the exigencies of the present day, and feel that the promotion of small land holdings

will be a decisive factor in our evolution. The farmer who personally cultivates his land becomes closely identified with it, obtains the whole yields that it is possible to expect by the exercise of his knowledge, and the use of his labor. He accordingly vigorously defends his land and everything relating to it. Such a farmer would be not only an important element in increasing agricultural output, but a decisive factor in the maintenance of order, a balance wheel offsetting the anarchy that engulfs us. The democratization of the land and the democratization of the rural classes appear to us indispensable conditions to political democracy.

The problem of the subdivision of land is also a problem of colonization, which offers its own peculiar difficulties. To colonize exclusively with nationals would be tantamount to fostering on a small scale the formation of small land holdings, because there are few farmers available, even though many of them may become so after proper training. Unfortunately, this aspect of the problem is complicated with the emigration of our best fields workers, who are every day leaving in greater numbers for the United States in search of safety to their persons, and a sure means of livelihood, which their native land has not been able to afford them. Those who do emigrate are, of course, the most ambitious, the most intelligent, the strongest, those that would offer most hope of the transformation of our agricultural regime. When our fields suffered the scourge of anarchy which the revolution brought in its train, the same phenomenon took place as was seen when the paper money drove out the gold currency: It was Gresham's law applied to man.

In order to detain this current of emigration, once order has been restored, the inhabitants of our fields must be afforded the opportunity of becoming independent settlers. At the same time, however, efforts should be made to establish settlements of members of the Caucasian race who by their contact with the native settlers might offer them the advantages of the example of superior culture. The foreign settler that would most meet our needs is the small farmer who is ready to emigrate to countries where land is cheaper than in his own country, and not impoverished by the incessant cultivation of years.

We have now pointed out the chief factors of the problem, in so far as they relate to land, capital, and man. We shall now allude to another important factor, namely, the law which regulates the relations among these three factors.

The Mexican legislator has only imperfectly grasped certain national needs because of his tendency to perpetuate legal traditions, that had their origins in times differing from our own. Civil law, substantive and procedural alike, both as regards the registration of title as well as the transfer of ownership, is full of technicalities, which presuppose a training and resources wholly beyond the reach of the great majority of Mexicans. This is a reason, cooperating with those natural and economic causes we have already described, which renders the creation of small landed property difficult, and the condition of small farmers quite precarious.

Other reasons combine to bring about the same result, but the necessity of reducing this work obliges us to refer to them merely in the conclusions we have formulated.

We can not, however, fail to present certain considerations on the policy initiated by the Carranza government in settling the problem we are now considering. The Querétaro constitution, in its Article 27, decrees the subdivision of "large landed estates", the grant of commons to settlements that lack lands, and the restitution to these same settlements of the land of which they were despoiled after 1856. It prescribes likewise that the inhabitants of towns may enjoy in common lands that may thus have been assigned to them, and authorizes the President to revoke all land concessions granted by the government from and after the year 1856. It goes still further in its zeal to destroy everything that might appear as large holdings: it provides that each state may fix the maximum area of land which any individual, or corporation, may own.

This is not the place to analyze all these constitutional provisions, still less certain laws which in the enforcement of Article 27 have been issued by certain states, or by the federal Congress, including the "Law of Uncultivated Lands" recently enacted. We shall confine ourselves to the statement that all of them, beginning with the constitution, endorse spoliation and undermine the economic structure of the country, without substituting another, which may serve as a basis for a new system. They are merely destructive measures, incompatible with the work of statesmen which must be eminently constructive.

With the apparent purpose of redeeming the Indian, Article 27 begins by seeking to restore the communal property régime, a system which quite defeats its own alleged intention, for it tends to stifle all spirit of individual progress and to hold the

native race down to the same degree of moral, and political, inferiority in which it has lived for centuries. The reconstruction of the old communal settlements will merely serve to render the settlers unfit, to their own detriment and to that of the general interest. Under the regime of communal ownership, the Indian is satisfied with a mere pittance, and ekes out a degraded form of existence. Deprived of the stimulus and responsibilities of individual ownership, he is oblivious of any concept of really human existence and of the spur that makes men compete in the strenuous life or make way for the men who, full of ambition, advance on behalf of civilization and the most pressing needs of mankind. To condemn a considerable part of our population to this primitive life, to a communal existence dating back to the epoch preceding the arrival of Cortes, at the very doors of one of the most ambitious and active peoples who has been steadily clearing the arable land of Indian tribes and abolishing communal ownership; to render useless men and lands when we urgently need to utilize both; to turn back, declaring ourselves impotent to coordinate the economic factors of production and satisfy the needs of the people, — all this shows blind ignorance and criminal presumption, the work of reactionaries who, usurping the title of "progressive", are guilty of colossal folly when they seek to have us believe that the constitution of 1917 is an immense step forward.

Real progress consists in finding and applying the formula to redeem the masses from famine and anarchy, for which it is necessary to initiate in favor of the field-laborer an evolutionary program, which should be the outcome of social action. In accordance with the theories prevailing about the middle of the XIXth century and which inspired the illustrious members of the Constitutional Convention and the reformers of that epoch, everything should be left to the forces of private initiative. The Indian is, in theory, one of so many citizens, invested with full civil and political rights. To compel him to abandon his communal ownership so as to free him from his primitive condition, and supply him, in words at any rate, schools to teach him the rudiments of education — this was all that it was thought the State should do on behalf of our great field-laboring population.

The experience of three generations has proved that these individualistic theories can not be rigidly applied in an environment and with a people such as ours. Mexican governments need to abandon somewhat the underlying theories of the old

laws, and, while respecting the free display of individual action, enter upon a path of social activity which shall allow them to be a direct factor in solving the land problem. But this action should be firmly constructive and progressive, not reactionary or destructive as would result from the application of the constitution of 1917.

The task calls for continued and sustained effort, and will require huge resources and all the technical skill available to governments. In the following conclusions we shall set forth the general lines of what, in our judgment, should be the program of governmental action in this subject.

In seeking a solution for the problem of our agriculture, it must be considered as a great economic problem in which the life of Mexico as an independent nation is bound up; as an act of humanity toward our fellow-citizens, and as the most efficacious means of transforming the millions of miserable farm-laborers and illiterates into active factors of general progress and citizens of the Republic.

To solve this problem in its manifold manifestations, considerable capital is necessary. Consequently, any policy inimical to the investment of capital to be used in agriculture and to activities connected with it, violates the most sacred interests of the people. We do not mean by this that agriculture should be capitalistic; it already is in the social-economic sense, and its inability to satisfy the most crying needs of the people is proof of the importance of *popularizing* it; but in the face of the exigencies of our environment, this transformation can only be effected by the investment of new capital. Accordingly, we condemn the precepts contained in the constitution of 1917 on this subject, which are inspired in a spirit of hostility to capital, and, at the same time, eminently reactionary, since they advocate a return to the system of property existing prior to the Spanish conquest and which prevailed during the colonial epoch. The provisions in the constitution on the division of lands are not feasible, and would, in any event, bring ruin to our agriculture, destroying what already exists and without substituting any thing better.

It should not be thought that we object to the principle that settlements should be given the lands required for their *municipal* needs and natural growth, if fair compensation is made for those so taken. What appears to us wholly inadmissible is the creation of communal lands, whether by grant of commons or by any other procedure, which shall keep the field-laborer under the perpetual guardianship of the State, and kill any saving ambition he may ever have had to become an independent proprietor.

In carrying out the double purpose of redeeming our field-laborers from their abject condition and of increasing production, we must enlarge, as much as possible, the number of small farm holdings. Fortunately conditions are favorable to this step, since,

for the reasons indicated in the text of this chapter, a considerable number of large land owners will find the best solution of their economic troubles in the subdivision of their lands. Possibly a majority will find that this is the case. The government should encourage this tendency, directly intervening in the work of subdivision. In carrying out these ends, the following steps recommend themselves to us:

A. That laws be enacted authorizing individuals or companies proposing to subdivide privately-owned lands that are suitable for subdivision to issue bonds secured by the lands themselves and by the additional guarantee of the Federal Government, provided the plan of subdivision complies with the requisites prescribed by law. The law should establish the conditions assuring the trustworthiness of the enterprise and safeguarding the Treasury from possible losses.

B. That, on request of the interested parties, the government should furnish, free of charge, the technical personnel necessary for the subdivision of estates suitable for parcelling and colonization, the necessary guarantees that the lots will be distributed among independent farmers being given to the government.

C. That the government shall proceed to subdivide national lands suitable to this purpose and to sell the lots on credit and at low interest rates, subject to the condition that these lots shall not fall into the hands of a single owner.

The chief obstacle to be surmounted in the division of our agriculture is the lack of irrigation. Consequently, we believe that in carrying out any program of social action the Federal Government should establish and operate works for the control and use of running waters.

In any event the tracts to be benefited by the works indicated above should not exceed in area the standard size adopted for small holdings, taking into account the nature of the crops suitable to the region in question. The Government may, of course, expropriate, with compensation, lands to be benefited by irrigation, and subdivide them into tracts not over the prescribed area, so that they may be sold on the terms fixed by law. In any event, persons developing lands benefited by irrigation works executed by the Government ought to pay the amounts established in the respective schedules for their water supply.

To cover the cost of the irrigation works to be carried out by the Government, the latter could secure the funds necessary for this purpose either by the issue of special bonds of an internal debt issue, or by contracting with banks in the Republic for the necessary loans to be secured by the works themselves. Should the Government entrust to private initiative the building of certain irrigation works, it must grant this privilege to the party offering the most favorable terms under conditions prescribed by the Government itself, to which effect it ought to call for bids with proper notice.

We advocate a revision of the laws governing the use of water so that it may be enjoyed by private parties more equitably. We likewise demand a simplification of procedure in securing water fran-

chises and in confirming rights to the enjoyment of waters, so that they may be made accessible to small farmers. The Agencies of the department of Fomento should be in charge of experts and should render, free of charge, to poor farmers such technical aid as they may need in complying with the requisites laid down by the law in this regard.

The credit of the Nation should be pledged in the establishment of farm loan banks designed to promote the interests of small land owners, either by guaranteeing payment of the capital of their lands or by furnishing them with loans at long terms and low rates of interest for buildings, machinery and farm implements, irrigation works or any other purpose directly connected with the development of the agricultural property. No agriculturist ought to be loaned amounts in excess of fifty thousand pesos enjoying the guarantee of the State.

The Federal and State Governments should see that in the lands thus subdivided Mexican settlers be established preferentially. We advocate, however, the reservation of certain lots for sale to foreign settlers of the Caucasian race in every subdivision of land, in view of the influence which the higher culture of these settlers may have on the Mexican settlers.

The number of experimental agricultural stations should be adequately increased where methods of cultivation, stock raising, the use of modern farm implements, chemical fertilization, and other facts advantageous to the practical farmer could be taught free of charge; and equipped with a corps of traveling instructors who shall visit the various farms and assist the farmers as above provided.

The Federal and State Governments should encourage by direct and indirect means the building of highways and regional railroads which shall facilitate communication between centers of agricultural production and centers of consumption. They should likewise promote the organization of cooperative farming associations.

It is our judgment that our civil laws, substantive no less than procedural, are inadequate by reason of their excessive technicalities in the development of small landed property. Today it is a fact that only with difficulty can the ignorant and those lacking the necessary funds obtain clear title of ownership to their lands. We cannot in the present document detail remedies for these evils, but the urgency of the remedies is so great that no time should be lost in putting them into effect. Our laws on property undoubtedly satisfy the exigencies of the rich or well-to-do classes, but they are beyond the reach of the poor who need the direct protection of the law in any program of governmental action.

But if the laws to which allusion is made, are a handicap to the economic development of the majority of the Mexican people, the fiscal laws have not been inspired in any more liberal spirit. Transfers of ownership are generally taxed excessively, and payment of taxes is a condition precedent to legal effect of title, even in the case of inheritance. This condition is wholly useless from the point of view of the fiscal interest, since the Treasury always has the power to compel payment of taxes. The laws on land taxation lack any

scientific basis and the assessment of lands is generally excessive, resulting in the concealment of the real value by the tax payer in his effort to evade ruinous rates. As these concealments are easy in large land holdings and difficult in the small, the small land owner is unfairly taxed in comparison with the large holder. This unjust situation calls for a modification of our fiscal laws which shall bring about a more equitable distribution of the tax.

In view of the national need of increasing the number of small land owners, every person who has held and developed for three years or more a tract of national or public lands not exceeding 300 hectares, should receive, free of cost, title thereunto.

In harmony with the same theory, the Government ought not to alienate in favor of any person a tract of national or public land greater than 300 hectareas; but this rule should be modified in the case of lands which cannot be used except for stockraising or for the cultivation of crops requiring inherently a larger extent of land. But no person whatever should receive a grant of more than 10,000 hectares.

In order to assure these small land settlers against the dangers of usury, we recommend that the law recognize the "homestead", not subject to attachment or liability for debt.

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